



JPRS Report

Near East & South Asia

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AL-NUR Evaluates Status of Soviet Muslims Under Gorbachev

45040341 Cairo AL-NUR in Arabic 26 Apr 89 p 2

[Unattributed article: "Deliberate Attempt To Interpret New Policy Pursued by Gorbachev with Muslims"]

[Excerpts] Political observers think that conditions for the Soviet Union's Muslims have improved significantly in the past 4 years since the Soviet leader, Mikhail Gorbachev, assumed power. "Allahu Akbar," the declaration that God is Great, can now be heard from the mosques' highest minarets in major Islamic cities in the south, like Baku, Tashkent, and Samarkand, as well as in the city of Siberia in the far north.

In the context of his reform policy, Gorbachev reopened 1,400 mosques in various parts of the Soviet Union. These mosques had been turned into museums by former Soviet leaders.

None of this, however, means that the Soviet Union has abandoned its hostility to Islam, to the Koran and to Islamic precepts. What is being done is merely part of the tolerance policy instituted by Gorbachev with Islam and other divine religions in an attempt on his part to improve the Soviet Union's image in the West and to soften the effects of the Soviet defeat in Afghanistan by the freedom fighters.

A Deceptive Image

When the Communist Revolution broke out, 26,000 mosques were closed. This means that even though Gorbachev did reopen 1,400 mosques, that number represents no more than 5 percent of the total number of mosques that existed before the revolution. Gorbachev also permitted the reopening of one religious secondary school and one religious institute, which can accept 300 students every year. Before the Communist Revolution, however, there were 24,000 Islamic religious schools, which were closed by the communists.

Despite the tremendous propaganda about its tolerance for Muslims with which Moscow has been trying to deceive the world, the number of Soviet pilgrims during the past pilgrimage season did not exceed 30, even though thousands of Soviet Muslims had applied for permits to perform their religious duty and go to Mecca. Soviet authorities, however, turned down their requests. [passage omitted].

Also, teaching the Arabic language is still forbidden.

During the early days of the glorious month of Ramadan, the Soviet media actively called upon the 55 million Muslims of the Soviet Union to refrain from fasting because fasting was harmful to health and would impede their ability to work. [passage omitted]

This may be what induced Pasha Zadeh to declare that everything which is being said about the communists' tolerance for Muslims is still mere ink on paper.

Habib Allah Sulh, a Muslim from Tashkent who owns a bookstore where Islamic books are sold, says, "Communist party leaders are still entertaining the idea of extinguishing the light of God and living in darkness. But they will not succeed in their efforts because God Almighty will keep the promise He made in the Holy Koran. 'They seek to extinguish the light of Allah with their mouths; but Allah will perfect His light, much as the unbelievers may dislike it [al-Saff: 8].'" [passage omitted]

Soviet Muslims are still applying Islamic precepts that pertain to marriages, births, and deaths. An imam, after being duly registered in the civil register in accordance with the requirements of Soviet laws, still presides over marriage ceremonies. Muslims also have their own cemeteries, and they still use names like Muhammad, 'Abdallah, and other names recommended by the prophet, may God bless him and grant him salvation. These names are prevalent in the Soviet Union's Islamic republics.

Soviet Muslims have also started their attempt to regain control over their own religious affairs. Last month thousands of Muslims in Tashkent participated in demonstrations calling for the removal of the Muslim leader in Central Asia from his position after it was established that he is an alcoholic and that he does not pray regularly. Although the man was supported by Moscow, he was actually forced to resign. This man was succeeded by Muhammad Sadiq Maysipov, a teacher of religion in Tashkent.

Muslims have also started asking for the closed mosques to be reopened, especially since the number of Muslims is not proportionate to the mosques which are now open. Religious leaders have been relying on their own efforts to build mosques, but they have not yet obtained the necessary permits to open them. And this is why services are not yet being held in those mosques.

From the Soviets' point of view, however, what is even more serious is the tremendous increase in the number of Muslims. Between 1984 and 1987 the population of the Soviet Union rose 2.9 percent. But the increase in the number of the Muslim population was 8.7 percent in Uzbekistan and 10 percent in Tajikistan. This means that, by the year 2000, Soviet Muslims will make up one-fourth of the total population in the Soviet Union.

Political observers think that Muslims in the Soviet Union are in no hurry because they know that time is on their side. They know that while Muslims may not be rushing headlong into any movements or applying pressure to secede from the Soviet Union or demand their independence from it, even though someone may emerge to make such a demand, they are all thinking about it.

What they want now, however, is to get as much as they can under Gorbachev's administration. If they do not achieve that, the situation will be different. It is certain that outside factors will come into play when the Soviet Union's neighbors and the West, as well, start exercising

their influence on the course of events. This is especially true since the Muslims of the Soviet Union represent the fifth largest Islamic community after those which can be found in Indonesia, Pakistan, Bangladesh, and India.

Armenian Interests in European Parliament

46050028a Paris GAMK in Armenian 5 May 89 pp 1, 4

[Article by Mark Harutyunyan: "Elections for European Parliament"]

[Excerpt] [Passage omitted] In a few weeks, elections will be held, and the European Parliament will have a new set of deputies. Given that these elections will be on the basis of proportional representation, that is the percentage of votes received by each party's list of candidates, all French political forces of any significance will be represented in that body.

The importance of the European Parliament is political and moral rather than practical. Europe's general future course will be forged in its bosom. The Armenians must also have an interest in the European Parliament because Turkey has been diligently working to become part of a united Europe. Some countries view Turkey's candidacy favorably, overstating the establishment of a nominal democracy. Turkey's desire to be part of Europe is a good opportunity to force it or to demand from it to find a just and rational solution to the Armenian problem. From a standpoint of pursuing this goal, who gets elected to the European Parliament is of deep significance to us.

Obviously, the presence of one or more deputies of Armenian descent in the European Parliament would offer us an undeniable advantage in monitoring day to day the status of Turkey's application and in presenting the Armenian national demands with an earnest voice.

The Armenian organizations, particularly the political parties, should act in concert and realize the election of one or more Armenian deputies. In other words, they must think about complementary solutions rather than unnecessary rivalry.

The European Parliament is the legislative body that passed a resolution recognizing the Armenian genocide. It is important to have an Armenian presence in that body to prevent that resolution from becoming a dead piece of paper and to block any attempts to retract it for the sake of special interests. It is also important that citizens of Armenian ancestry use that resolution as a litmus test when they vote. I presume that those who believe in the justness of the Armenian cause will vote for people who also believe that the Armenians have timeless rights and who demand them from Turkey. To make a decision on our position we must remember who were on our side on 18 June 1987, who were against us and who abstained. At the top of the candidate list of the center is Mrs Simone Veil who did not vote for the Armenian resolution on 18 June 1987 when she had so many reasons to be on the Armenian side. Mrs Veil does not deserve the votes of citizens of Armenian ancestry—even if any such voters sympathize with the center party or movement.

The Armenian community can and must invite officials of various parties running in these elections and have a candid discussion with them. We must demand from them to declare now that Turkey's entry into Europe must be contingent on a just and rational resolution of the Armenian problem. [passage omitted]

REGIONAL AFFAIRS

Egyptian-Algerian Consular Committee Abolishes Visas

*NC1506104989 Cairo MENA in English
1041 GMT 15 Jun 89*

[Text] Egyptians and Algerians will no longer need entry visas to move between the two countries. The two sides signed here today the minutes of a meeting of the Egyptian-Algerian Joint Consular Committee, whereby a previously-required entry visa would be dropped as of the first of July as part of efforts to facilitate the movement of people between the two Arab states.

As for the salaries and compensations due to Egyptians working in Algeria, the Algerian side promised to consider them on individual bases and take necessary measures to solve relevant problems. The two sides also agreed to set up a joint committee for cooperation in security fields.

Egypt Gives Sudan Oil

*NC0307201089 Cairo MENA in English
1932 GMT 3 Jul 89*

[Text] A tanker carrying 20 thousand tons of oil will be arriving at Port Sudan within the coming days as a gift from Egypt to Sudan.

While breaking this news today, Staff Navy Captain Salah-al-Din Ahmad Karrar, member of the Revolutionary Command Council who is taking over as head of the Economic Committee, thanked, on behalf of the Sudanese people, the government and people of the sister country of Egypt for their urgent response.

BAHRAIN

Plan To Promote Industrial Investment Discussed

*44040447a Manama AKHBAR AL-KHALIJ
in Arabic 18 Apr 89 pp 1, 7*

[Article by Hafiz Imam: "Plan To Promote Industrial Investment in Country; Organizing Symposiums Abroad to Attract Investments and Set Up Joint Projects; Promoting Industries Based on Aluminum, Petrochemicals, and Their Derivatives"]

[Text] The Ministry of Development and Industry has completed a plan to promote industrial investment for 2 years, through 1990. The plan incorporates complete programs to attract foreign industrial investments to Bahrain and to encourage the private sector to invest in certain industrial sectors in the country. Moreover, the plan provides the opportunity for joint industrial investment and for setting up joint industrial projects between Bahraini and foreign investors.

The plan focuses on promoting Bahrain as a convenient center for industrial investment and works to attract foreign investors. Moreover, it follows up on the activities carried out by the Industrial Development Center by participating in the organization of special symposiums and industrial fairs and by supplying information and publications on Bahrain's industry.

This has been stated by Shaykh Humud Khalifah Al Khalifah, the head of the Industrial Development Center's Industry Promotion Section. Shaykh Humud has said that through the center, the ministry works to present ideas on setting up industrial projects needed by the country and focuses on attracting foreign investments by organizing symposiums in industrial countries on the industries in several sectors and by explaining the incentives the country gives to industrial investment and the climate which is suitable for investment. These incentives take the form of tax and customs fee exemptions for raw materials and plant equipment, and the vast possibilities for exporting produced goods to the GCC [Gulf Cooperation Council] markets without customs fees.

Shaykh Humud also stressed that the center promotes industrial investment by Bahrainis by paying 50 percent of the cost of feasibility studies conducted on industrial projects falling within the investment areas. He said that the ministry always seeks to present ideas on available investment opportunities to those wishing to undertake industrial investment, whether they are Bahrainis or foreigners.

For example, opportunities are still available for increased industrial investment in existing industries based on aluminum. There are also opportunities for manufacturing aluminum products used in the production of vehicle engine parts. This is in addition to the possibilities of increased investment in industries based on petrochemicals.

The head of the Industrial Development Center's Industry Promotion Section has also noted that after such ideas are presented to investors in Bahrain, an understanding is reached on participation in the projects and on promoting them among foreign investors, especially since foreign investors are prepared to utilize such opportunities in Bahrain.

Shaykh Humud said that the projected program for promoting industry also includes two programs to train workers of various companies and banks.

The implementation of these two programs has actually begun. One, which started last October, is full-time; the other is a half-day program for 18 trainees from firms and banks that could not release their employees full-time throughout the 2-year training period.

The Industry Promotion Section's head added that these training programs make it possible for the participants to select the proper investment opportunities and to comprehensively study the feasibility and applicability of these projects.

Shaykh Humud also announced that the center is planning a symposium for promoting industry in Bahrain to be held in West Germany next summer (June or July). He said that this symposium is part of a major effort by the center in organizing previous symposiums, including one held in the United Kingdom last October and a conference held in Japan last March, organized by the Gulf Industrial Investment Organization in coordination with the Japanese Center for Industrial Cooperation with the Middle East.

Shaykh Humud delivered Bahrain's address on the incentives Bahrain offers investors to set up joint industrial projects.

EGYPT

Badr on Security Measures, Extremism
NC3006152189 Cairo MENA in Arabic
1318 GMT 30 Jun 89

[Excerpts] Alexandria, 30 Jun—Interior Minister Zaki Badr has asserted that President Mubarak's reign is marked by freedom of expression, stability, and security. He remarked that on several occasions President Mubarak refused to take any administrative measure or use the emergency law against certain people who unjustifiably attacked ministers and officials, preferring to refer their cases to the judiciary. [passage omitted]

Minister Badr was speaking at a seminar held by the Egyptian-American Friendship Society in Alexandria under the title "Security and its Reflection on Economic Development." [passage omitted]

Discussing emergency laws and arrests, Minister Badr said the law is only applied in cases involving members of criminal organizations, outlawed groups, dangerous criminals, and narcotics dealers, as well as those who try to destroy society in pursuit of illegal gain.

On bringing police officers who have committed errors to account, the interior minister said that 10 officers, ranging from captain to brigadier general in rank, were pensioned off recently. He asserted that anyone who makes a mistake is brought to account, because no one is above the law.

Commenting on the Consultative Council elections which were held recently, the interior minister said that some people claimed that the elections had been rigged. However, we say to these people that these elections were clean and free of rigging, he stated.

Speaking about the number of detained persons, the minister said that, according to international statistics, 12,000 persons had been detained in Egypt in the past 3 years, at the rate of 4,000 per year, which is a reasonable number, he remarked. [passage omitted]

On fighting extremism, Badr said that this should be the role of all ministries, official bodies, and apparatus. He stressed the importance of giving special care and attention to Muslim proponents, particularly in rural areas, because they can play a very significant role. In this regard, he commended the strenuous efforts being made by the awqaf minister and the mufti of the republic.

On monitoring telephone conversations, Minister Badr asserted that telephone conversations are only monitored in very special cases, after the prosecutor's office has issued a permit. [passage omitted]

Touching on the increasing rates of exchange, the interior minister stated that measures will be taken to apprehend manipulators. [passage omitted]

Authorities Comment on Feasibility of ACC Industries

45040329A Cairo AL-AHRAM AL-IQTISADI
in Arabic 17 Apr 89 p 42

[Article: "The Future of Industry Under the Arab Cooperation Council"]

[Text] Federations of industries in the four member states of the Arab Cooperation Council [ACC] are to meet in Cairo next month to discuss mutual industrial cooperation. The ACC is composed of Egypt, Jordan, Iraq, and Yemen.

Industrial specialists believe the four nations could become a considerable industrial force in the region if they coordinate industrial planning and bolster the ACC by inviting other Arab countries to join.

Minister of industry engineer Muhammad 'Abd-al-Wahhab says that the Arab integration called the Arab Cooperation Council is a declaration of cooperation in productivity. Primarily concerned with productivity, not politics, it is based on production integration among Arab nations. "Our planning now complements [that of] Arab nations. Our goal is integration, not only of Egyptian industries, but primarily with Arab nations. We invite the rest of the Arab countries to join us in the ACC."

Engineer Fu'ad Abu-Zaghalah, former minister of industry and chairman of the National [Democratic] Party's Industry Committee, says that the trend towards Arab integration began with the creation of the Center for Industrial Development in Arab Countries. The objective is industrial coordination and cooperation among Arab countries in order to realize their potential and complement industrial operations for exports to the

outside world after satisfying Arab demand for industrial output. This means that Arab industries with a comparative advantage should be developed to their full potential in order to satisfy the needs of other countries, rather than building new factories to meet those needs. For instance, if cotton for weaving and textiles is available in Egypt, the Sudan, and some nations, but not in all others, then it should be sufficient to establish industries in countries that enjoy the availability of labor, since weaving and textiles are labor-intensive, and expertise. This industry would then supply other countries with their needs for ready-made clothes, and only then export the surplus to foreign markets. The same principle applies whenever one country or another has plentiful raw materials or other comparative advantages. This way we can all benefit by each country's available resources and avoid duplication. Industry would specialize, quality would improve, and production costs would decline."

Engineer Fu'ad Abu-Zaghalah adds that it is now time to bolster the Center for Industrial Development in Arab Countries through participation by all Arab states. The Center undertakes modern studies of all projects needed in Arab countries, coordinates them, and selects suitable sites for them. It also helps the projects secure financing from Arab funds, thus reducing the financial burden on countries unable to bear it.

Such coordination and integration are supposed to proceed vigorously within existing economic groupings. Coordination among all of them can come at a later stage.

"I believe that it is absolutely necessary to form economic blocs if we seek real economic and social development of the Arab fatherland to help it face foreign markets and such blocs as the European Economic Community."

Dr. 'Adil Jazarin, president of the Federation of Industries, says that after formation of the ACC was announced, the Federation promptly called the federations of industries in Iraq, Jordan, and Yemen to a May conference in Cairo. The objective is to chart industrial cooperation among the four federations. ACC members agreed to the conference.

Dr. 'Adil Jazarin believes there is a global trend today towards industrial groupings. "Industrial corporations are forever merging in order to improve competitiveness and gain economies of scale. It is imperative, because of this global trend, that we create strong companies capable of standing up to these blocs. This is the greatest advantage of the ACC. It would create a huge consumer market for any producer, allowing it economies of scale. For instance, had we wanted to establish an automobile plant to meet only the needs of the Egyptian market, the latter's size would now allow such a project to operate at its ideal volume. Should we design this plant to meet all market needs, it would be possible to produce at the ideal

economic level. This underlines the importance of proceeding immediately to study economic integration among ACC countries by implementing projects to meet the needs of all four countries and locating them in the ones that offer the greatest comparative advantage. The ministry of industry will conduct such studies in cooperation with the Federation of Industries. It would be desirable, no doubt, for representatives of the private sectors in the four countries to meet and discuss their contributions to industrial development. The upcoming conference is the first such meeting. The union will, furthermore, create opportunities to attract foreign investments in order to meet the needs of the four countries more effectively. Giant multinationals could be enticed to build industrial centers in one council member or another in order to benefit from the availability of labor or raw materials."

Dr. Jazarin adds that the agenda of the Federation of Industries is to identify areas for economic cooperation among the four ACC private sectors, whether by creating joint projects, exchanging goods, or mutual assistance.

He points out that work must begin immediately to prepare an exhaustive industrial survey of the four countries to determine the availability of necessary factors of production. It is known, for instance, that Yemen has many unutilized raw materials. The four countries could cooperate in joint projects to extract them. Iraq, on the other hand, has the capability to utilize certain available elements, such as sulphur. Jordan also has some advanced industries.

Such a survey of ACC countries would be the basis for mapping industrial integration among them.

Investigations Continue in Al-Sa'd, Al-Rayyan Cases

\$7 Million in Domestic Al-Rayyan Funds
45040343 Cairo AL-MUSAWWAR in Arabic
28 Apr 89 pp 12-14

[Article by 'Izzat Badawi: "Significant, Grave Developments in Investigations of District Attorney's Office; Mystery of al-Rayyan's Funds in Foreign Banks Uncovered"]

[Excerpts] Switzerland informs Egypt it will consent to freezing al-Rayyan's funds. West Germany and the United States consent to taking legal measures to return these funds.

In the case against al-Rayyan's accomplices, 17 officials are to be turned over to the Supreme State Security Prosecution.

Preparation of al-Rayyan's financial statement is completed, and listing of his transactions after the enactment of the new law is begun. [passage omitted]

The names of all the foreign countries where the al-Rayyan family owns property and companies were among the first surprises to come out of the inquiries conducted by the district attorney's office with Ahmad Tawfiq al-Rayyan. When questioned by the district attorney's office for financial and commercial affairs, Ahmad al-Rayyan stated that he owned property in 11 countries and that most of these countries were in western Europe.

But one of the most significant surprises, one that investigators, bankers and lawyers did not expect, was the Swiss government's approval of a request made by the supreme committee for recovering al-Rayyan's funds from abroad. The committee had asked the Swiss government to freeze al-Rayyan's funds in Swiss banks in preparation for having these funds turned over to Egypt by legal methods. This is the first time the Swiss government has taken such a measure because Swiss economic laws require that the accounts and names of its banks' clients remain strictly confidential.

AL-MUSAWWAR has learned that Switzerland's compliance with Egypt's request for Swiss assistance in recovering al-Rayyan's funds was given on one condition: that Ahmad Tawfiq al-Rayyan authorize members of the committee to recover al-Rayyan's funds to examine his accounts and take inventory of his funds in Swiss banks.

Freezing Funds

AL-MUSAWWAR has also learned that West Germany and the United States had informed Justice Faruq Sayf al-Nasr, minister of justice and chairman of the supreme committee to recover the funds of investment companies from abroad, that they would support Egypt in all legal steps taken to recover al-Rayyan's funds and property in both countries. The government of West Germany indicated its willingness to freeze al-Rayyan's funds in West Germany until legal measures are taken to turn them over to Egypt.

On the other hand, AL-MUSAWWAR has learned that Ahmad Idris, chief prosecuting attorney for financial and commercial affairs, met with Ahmad Tawfiq al-Rayyan last week in al-Rayyan's prison cell in Turah Penitentiary. Mr Idris asked al-Rayyan to authorize the committee to recover his funds from abroad and to act on his behalf in dealing with the foreign companies and banks during that committee's talks with these banks and companies.

Al-Rayyan Agrees

AL-MUSAWWAR has learned that Ahmad al-Rayyan indicated his consent immediately to the chief prosecuting attorney, and the district attorney's office actually obtained Ahmad al-Rayyan's consent to authorize the representative of the National Security Authority, who

serves on the committee to recover al-Rayyan's funds from abroad, to examine al-Rayyan's accounts in foreign banks all over the world and to list the amounts held in each account.

Al-Rayyan's authorization, which was turned over to the district attorney's office last Monday afternoon, gave the representative of the National Security Authority the right to withdraw cash from property owned by al-Rayyan abroad. He was also authorized to list al-Rayyan's shares and holdings in stock exchanges and corporations worldwide. [passage omitted]

Al-Rayyan's Transactions Reviewed

AL-MUSAWWAR has learned that the committee which was formed to prepare financial statements for al-Rayyan's companies had completed its examination of all papers and documents related to that group of companies. This committee prepared a statement showing the company's financial position until 10 June 1988. At the present time it is reviewing transactions made by al-Rayyan family during the period from June of last year, when the law regulating investment companies was enacted, until the district attorney issued his decree ordering the arrest of al-Rayyan's family. The district attorney also ordered them held in protective custody. Last week the committee sought the assistance of Majdi Hashish, controller of al-Rayyan's accounts, to help the committee unveil the mystery surrounding some entries made in the books during that period. Payments were made to a few individuals, but the reason for making those payments was not noted. Were these deposits which were being withdrawn by those individuals? Were they debts the company owed these people? Many transactions were also completed without any official documentation to show their nature, their goals and the purposes for which money had been spent. The committee will submit its report to the district attorney as soon as it completes these investigations.

The Truth About the Financial Statement

AL-MUSAWWAR has learned that a preliminary listing of funds received by al-Rayyan's group of companies from the time these companies were established in 1982 until 10 June 1988 shows that deposits made in these companies amounted to 2.2 billion Egyptian pounds. This figure is larger than that mentioned by al-Rayyan when he was questioned by the district attorney's office, by 500 million Egyptian pounds. Total profits paid to investors from the time these companies were founded until they stopped paying profits amounted to 850 million Egyptian pounds. And yet financial statements indicate that the total value of these companies' frozen assets in the country does not exceed 300 million pounds approximately. [passage omitted]

AL-MUSAWWAR has also learned that the total cash collected for the account of al-Rayyan companies amounted to about 7 million Egyptian pounds only.

These funds which were frozen by the financial affairs section in the district attorney's office were deposited in the National Bank. Most of the funds collected by the district attorney's office for al-Rayyan's companies were in the form of post-dated checks, which had not yet been collected. This means that cash proceeds are very limited at this time and do not allow payments to depositors of any percentage of the dividends until after a financial statement is made public and a statement is prepared showing the frequency distribution of depositors [as published]. Deposits made in those companies must be verified and confirmed, and it must be established that they were not withdrawn. This is because many depositors did withdraw their deposits during the period which followed enactment of the law last June and there is nothing on the books to show that these deposits had been withdrawn.

Paying a percentage of the dividends to investors in al-Rayyan's companies also depends on how much cash is collected, because that would determine what percentage of this cash would be paid to investors. The district attorney's office is having a problem regarding the frozen assets, none of which can be sold and converted to cash until a judgment is made to confiscate these funds. That is why the financial affairs section of the district attorney's office attempted to put some of these assets to work so that investors can receive some return on their investments in al-Rayyan's companies. They leased some of the trucks, for example, some of the delivery vans and other pieces of equipment which cannot be disposed of. All of these, however, would be used inside the city of Cairo only. Other assets, however, represent a burden on revenues which were collected for al-Rayyan companies. The district attorney's office has to perform monthly maintenance on all equipment and cars which have been frozen so that these cars are not damaged as a result of not being used and as a result of changes in weather conditions.

A Separate Case for Accomplices

On the other hand, AL-MUSAWWAR has learned that Attorney General Jamal Shuman had issued a decree ordering the preparation of a separate case against senior officials whose names came up in the al-Rayyan investigations. The financial and commercial affairs section of the district attorney's office separated the investigations pertaining to these officials from the original case, and turned them over to Counselor 'Abd-al-Majid Mahmud, the public prosecutor for the Supreme State Security Prosecutor's Office, so that an investigation into these matters can be undertaken.

AL-MUSAWWAR has also learned that the Supreme State Security Prosecutor's Office began questioning those officials immediately. Seventeen former and present officials are being questioned.

Ashraf Al-Sa'd Refutes Accusations

45040343 Cairo UKTUBAR in Arabic
7 May 89 pp 74-75

[Interview with Ashraf al-Sa'd by Munir Muhammad Jamil: "Investors To Receive Dividends on Occasion of Ramadan; All Funds from Investors in Our Companies Are in Egypt; We Own 32 Factories and More To Come; Investment Law Favors Every Firm Whose Aim Is Serious Work; Money Market Authority Will Help Us Succeed by Making Decisions Quickly; I Admit Quite Candidly to Being Addicted to Investments;" date not specified; at various locations in Cairo; first four paragraphs are AL-MUSAWWAR introduction]

[Excerpts] [Passage omitted]

We started the interview in Mr al-Sa'd's residential neighborhood in al-Haram, where his companies built more than 10 residential multi-story buildings, all of which will be appropriately furnished with furniture manufactured by his companies before they are listed for sale at an appropriate price.

I found out that all the work which was done at the site was done by Mr al-Sa'd's companies: the construction, the elevators, the furniture—everything.

From the residential neighborhood in al-Haram we went to Madinat Sittah Uktubar [6 October City] where his factories are located. The Zanusi factory manufactures refrigerators, coolers and freezers of all sizes. At the factory I watched the stages of production as they were being carried out in accordance with the most modern technology in the world.

We left Madinat Sittah Uktubar and traveled to review the business of Mr al-Sa'd's companies in Madinat 'Asharah Ramadan [10 Ramadan City]. Then we traveled to see his projects in Qalyub. From there we went to al-Nubariyah where Mr al-Sa'd has a farm which is located on an area of 1,000 feddans. This farm, which is one of the contributions of Mr al-Sa'd's companies to food security projects, grows fruits and various crops. [Passage omitted]

[UKTUBAR] Hajj Ashraf, how did you get involved in business, production, investments and trade?

[Al-Sa'd] This is a long story, but let me give you a summary and tell you that I, like any young man, started my career with nothing, or less than nothing. I earned a bachelor's degree from the Graduate Institute of Cooperative Studies in 1977. Like any young man, I had my needs and my ambitions. I wanted an apartment; I wanted to get married; and I wanted this, that and the other.

I did not hesitate much in choosing to travel and to work abroad. Doing that would help me satisfy my needs and ambitions. I actually went to France, and I worked there.

But I admit that I failed to achieve there any of the things I had hoped to achieve, so I decided to come back and work in Egypt. I worked first in an automobile showroom, and I chose to re-learn everything from experience. Building on what I had learned in my business courses, I learned the business of selling cars, and that became my profession as well as my hobby. In a short period of time, and with God helping my success, I became one of the biggest car dealers in Egypt. Eight years ago, I started working in investments. At first, I made investments in automobiles, a field I had done very well in. From there I expanded into other activities, and some of those you saw during our tour. All funds deposited by investors have been invested in those activities.

[UKTUBAR] Does this mean that all funds deposited by investors are in Egypt?

[Al-Sa'd] Yes, all funds deposited by investors are in Egypt. All the funds are fully invested in our different factories. There are now 32 of them. I owe investors 420 million pounds, but the fixed assets of our companies are worth much more than that.

Here I must say something to investors. All I ask is a little patience until we can put all the pieces of our operation together after the recent crisis. We are making every effort to do that without accepting new investments. This is difficult to do, and a good measure of patience is required to do it. To understand what this means and have some concept of what it involves, let me tell investors that the group of al-Sa'd companies used to receive daily deposits which amounted to 5 million pounds every day. All our systems were designed on the basis that this daily intake will continue and that our clients will continue to have confidence in us. Because we sensed that these deposits would not stop and will continue at the same rate, we undertook many projects, all of which require financing. In addition, we have to finance monthly loans to investors, and we must also pay wages, salaries, and so on and so forth.

Then came the law, and the investments stopped. We had many projects which had to be financed; we had machines which would be idled without the spare parts they had to have; and we had employees, workers and technicians whose salaries had to be paid. We had one project whose total cost was 25 million pounds; 20 million pounds had already been spent on that project, and that meant that 5 million pounds were needed to complete the project so that production could begin. If we do not come up with this sum, the project will be affected; it will stop in its tracks, and we will lose 20 million pounds for the lack of 5 million pounds. [passage omitted]

It is a miracle that we continue to operate. It is a miracle that our operating capacity is greater than it was, that we are making payments to depositors, and that we are meeting all our obligations to employees and to the

business. Some people may think that we are spending from capital, but that is not true. A company that spends from its capital must collapse and its operations must cease because it will not be able to solve the problems it is facing. This is something we did not do. We have many projects, and we are always trying to face the problem of lack of financing. We were actually able to hold our own in the face of that problem because we built our company on a firm and solid foundation. Our production has doubled and the value of our reserve production has increased. With patience and discipline, we will become stronger than we were, and we will inaugurate more projects this year and next. Our factories will be scattered everywhere in Egypt: we will have dairy plants, furniture factories, poultry farms, car factories, ready-to-wear clothing factories and more.

Playing the Stock Market Is Not My Game

[UKTUBAR] Hajj Ashraf, what about playing the stock market?

[Al-Sa'd] Playing the stock market is not my game. I do not like the stock market at all because it does not satisfy my passion for work, production, and putting people's energies to work. The stock market does not satisfy my passion for sharing these things with others and for enabling people to maintain their households. Luck plays a major part in playing the stock market, and I am not one who takes risks with luck. Industrialization is my primary goal: I want to benefit myself, my country and Egyptian workers. I get pleasure out of seeing a sheet of tin transformed into a refrigerator and a piece of fabric transformed into a suit. There are now 9,800 workers in my factories, and this means that 9,800 families are being provided for by funds earned by people working in those factories.

Let me affirm once again that with patience and confidence we will stand firm. We will succeed and, God willing, we will manage to return in full all the funds that were invested to all those who wish to have all their money back. The money will be returned 2 years from now, in one payment and not in installments.

[UKTUBAR] What has your life been like since the merger between the two giants?

[Al-Sa'd] Ashraf al-Sa'd, who is not yet 35 years old, said, "Let me say quite honestly that since the merger every day has been like 10 years. I feel as though I were 800 years old, but this is God's will, and God will do what He wishes. I never imagined that a merger between al-Sa'd and al-Rayyan would lead to all this, but this is God's will. Al-Rayyan was not fair to himself. Had he stood firm for a while and had he improved his position, investors would have supported him with their confidence. Unfortunately, however, he collapsed, and it was the stock market which was behind all these disasters.

People stood by me because I held my ground and I withstood. They had confidence in me because they knew that every millieme that was invested was in Egypt. The value of investments doubled. As I said, I owe investors 420 million pounds, but my fixed assets are worth much more than that. Let's take one example. I have an inventory of 2,000 cars in storage. I purchased each car for 8,000 pounds. Today, each car is worth 23,000 pounds. This means I realized 300 percent in profit as a result of the increased value of the car. The value of the goods produced at the Zanusi factory also increased. There is no need, therefore, to fear for investors' funds. Nothing more than patience and confidence is required.

[UKTUBAR] What do you think about the investment law?

[Al-Sa'd] I admit that this law serves the interests of all companies that are serious and sincere about wanting to do business. This law was very good to me if you take me as an example of investment companies. It cleared the scene of all those who do not belong in this field. Only those who are sincere and honest about doing business are left. Survival is for the fittest. All that we ask is speed and flexibility in making decisions. We want the president of the Capital Markets Authority to intervene personally to make decisions which must be made promptly because the consequences of any delay in making decisions could be grave.

We Never Stopped

[UKTUBAR] What about paying investors in installments?

[Al-Sa'd] We never stopped making payments. We stopped payments for one month only so we can reorganize, arrange papers, and consider the situation. But we started making payments in early January, and the payments we made were between 1.5 and 2 percent of capital. We made those payments on the occasion of the blessed month of Ramadan. We have products and goods which are available to any investor.

Let me tell investors that with work, discipline, patience and confidence, our annual profit margin will grow from 25 or 30 percent to perhaps 40 percent. I work at least 20 hours a day to achieve that. There are no bosses and no underlings in my companies. We all work together as one team and one family. We do our work in a spirit of friendship and harmony to achieve that goal. [passage omitted]

[UKTUBAR] What is your relationship with al-Rayyan now?

[Al-Sa'd] I do not wish to talk about al-Rayyan and his company. My relationship with Hajj Ahmad Tawfiq is a strong and close relationship, but I had a big disagreement with him about the method of doing business. I

cannot exonerate him from his responsibilities, but I truly believe that he did not steal investors' funds. Al-Rayyan may have been negligent, or he may not have been up to the responsibilities he undertook, but he did not steal. Had he stolen, he would have fled the country. I believe that he got pulled into playing the stock market, and that is the game of the Jews. I believe that it was playing the stock market which led him to this. This is his destiny. We thank God for everything. [passage omitted]

[UKTUBAR] Do you have anything else you would like to say?

[Al-Sa'd] Yes, I feel that I have been unfairly treated. I have been unfairly attacked by people who have no evidence against me. In time, however, I will prove that I have always followed a proper path.

Let me tell investors to be more patient, more cooperative and more confident. Yes, we have 61,000 investors to whom I owe 420 million pounds, but all this money is in Egypt.

Let me tell investors that it is true that I cannot meet with all of you, but my financial statement, which was published after it was audited by three accounting firms, says that we are on the right track and that our financial position is 100 percent sound. I make hundreds of decisions every day, and I cannot work to protect your funds and meet with all of you at the same time. [passage omitted]

Minister on Agricultural Policy, Land Reclamation

JN2706080889 Cairo AL-AHRAM in Arabic
25 Jun 89 pp 1, 13

[Excerpts] Dr Yusuf Wali, deputy prime minister and minister of agriculture, has stated that the agricultural policy adopted by President Mubarak since the eighties has targeted the interests of farmers, offering them incentives through the amendment of crop prices and the cancellation of the compulsory procurement quotas. The prices of a large number of these procured crops have been raised, the latest being the price increase of the kantar [44.93 kg] of cotton to 60 pounds, and the ton of soybeans to 650 pounds. The Ministry of Agriculture is currently studying increasing the prices of other crops, including sunflower.

The compulsory procurement of 10 crops has been cancelled and has become optional with the exception of cotton, sugarcane, and 50 percent of the rice crop, whose procurement is still compulsory.

At the opening session of the conference on economic reforms in the agricultural sector in Egypt yesterday, Dr Yusuf Wali said that it has been decided to allow the private sector to import capital goods needed in the agricultural sector. He affirmed that the agricultural

sector is proceeding with firm steps to support the small farmers and secure them the necessary investments which have increased from 1.6 billion pounds to 4 billion. [passage omitted]

Dr Yusuf Wali said that the private sector's participation in land reclamation this year has reached 100,000 feddans [4,200,833 square meters] compared with 66,000 feddans reclaimed by the private sector last year. He also stressed that the government is eager to support the private sector's participation in development within the framework of the optimal use of Egypt's water resources. [passage omitted]

Energy Minister, Iraq's Kamil Discuss Energy Cooperation

*NC2406172089 Cairo MENA in Arabic
1521 GMT 24 Jun 89*

[Excerpt] Husayn Kamil, Iraqi minister of industry and military industrialization, who arrived in Cairo today, has begun talks with Egyptian officials.

At noon today, he met with Engineer Mahir Abazah, minister of electricity and energy, to discuss cooperation in energy transfer and distribution as well as the possibility of an electrical grid between the two countries to exchange energy.

The Egyptian side expressed its readiness to contribute to the reconstruction of the Iraqi city of al-Faw, to install electrical networks in the city according to the most modern international technical systems, and to provide advanced Egyptian expertise in this respect. [passage omitted]

Former Economic Minister Discusses IMF, Current Issues

*45040329B London AL-DUSTUR in Arabic
17 Apr 89 pp 35-38*

[Interview in Cairo with Dr Mustafa al-Sa'id, former Egyptian economic minister, by Ahmad al-Burnus; Date not given]

[Excerpts] Dr Mustafa al-Sa'id asserted that Egypt's economic crisis has its roots in the way it was managed in the seventies. There was no vision then, he pointed out, to utilize resources that were increasing at that time because of escalating oil prices and remittances by Egyptian expatriates.

The former Egyptian minister of the economy explained that a solution to the economic problem would primarily require a political decision, since there must be general public consensus to bear the attendant responsibilities and burdens, while sparing no class at the expense of another. He pointed out that the policies of the seventies have fostered pressure groups with narrow self-interests. These groups perpetuated themselves so that they were able to subvert the reforms he introduced when a cabinet

minister. They were eventually able to remove him after gaining control of certain media and attacking him to subvert his economic policies.

Following is Dr Mustafa al-Sa'id's interview with AL-DUSTUR's Cairo correspondent: [passage omitted]

[AL-DUSTUR] It became obvious early in the seventies that there was a tendency to obliterate the socialist character of the economic system of the sixties in order to prepare for a capitalist course. The eighties, however, seem to lack definition. Which economic system, in your opinion, would be most capable of helping Egypt out of its crisis?

[Dr al-Sa'id] I am personally an economist of the Egyptian mainstream that espouses a middle course. I believe the best method of economic reform is one capable of enlisting all public and private sector forces and that economic policies should have a social dimension. I am fully aware of the importance of maintaining a private sector provided it is earnest and productive. The government, of course, should ultimately have effective control of economic policy.

I believe that this kind of temperate approach is capable of reasonable solutions to the problems and crises of the Egyptian economy.

[AL-DUSTUR] Absconding abroad with huge sums of bank money was a phenomenon of the open door policy of the seventies that has persisted into the eighties. How would you explain that?

[Dr al-Sa'id] As I previously mentioned, there were huge inflows of funds in the late seventies. Bank liquidity was tremendous and a large number of banks sprang up over a short period of time—80 in five years. This led to a sort of competition accompanied by laxity of sound credit and security practices. Moreover, central bank authority was attenuated by banking system expansion.

It was normal under such conditions that credit be granted without regard to controls or adequate security. Borrowers, because of the ease of securing loans, had no appreciation for the funds received and the importance of safeguarding them. Add to that a wave of "consumer surplus" that permeated society and enticed borrowers to partially use their loans for consumer or recreational purposes with no productivity where the return would help service the loan.

[AL-DUSTUR] What to do about that phenomenon?

[Dr al-Sa'id] The banking system has already traversed that passive stage. As a matter of fact, credit has become too tight and bank loans are now less likely to be given individuals incapable of repaying them.

[AL-DUSTUR] Are you convinced that Egypt is presently really capable of building its new economic system?

[Dr al-Sa'id] First, I am an optimist in this regard. This society has tremendous potential, including a huge and educated labor force not to be found in a similar developing nation. Add to that real savings, a developed banking sector, a largely modernized infrastructure, as well as other economic and positive variables. I believe that this society is capable of rising and utilizing all the above-mentioned factors. But as I mentioned in the beginning, all this requires political will and resolve.

I believe that a more democratic society would offer wider opportunity for dialogue leading to a decision. [passage omitted]

The government, by striking at investment companies, has created the opportunity and developed the climate for investing Egyptian savings through the banking system and other legitimate vehicles. This is undoubtedly to be much preferred. What you call a government crisis is merely the rights of depositors who suddenly found themselves in confrontation with investment company owners who dissipated their savings by one means or another. How do you protect the rights of those depositors?

Protection comes with government intervention under the law. Do not forget that depositors themselves are partially responsible. This means that all the blame should not be placed on the government, whose senior economic officials cautioned against those companies in statements published in the media. Among them were Dr Hasan Faj-al-Nur, chairman of the securities exchange authority; 'Ali Nijm, former governor of the central bank; and the minister of the economy. I have personally written repeated warnings against those companies. People have flooded their gates despite series of exposes in ROSE AL-YUSUF [magazine] and AL-AHALI newspaper. Depositors there must carry a share of the responsibility.

[AL-DUSTUR] But what could those simple depositors do in the face of television ads that bombarded them night and day while the government remained silent?

[Dr al-Sa'id] This is a cop-out meant to hang the blame on the government, even though I do not totally absolve it. The current government, of course, is really not to blame. On the contrary, it was truly diligent and able to introduce legislation to contain the situation. This may have taken a little too long, but formidable forces opposing the legislation had to be overcome.

It is not to be denied that depositors were a little greedy and should bear responsibility for that.

[AL-DUSTUR] What is the way out of this dilemma?

[Dr al-Sa'id] The only course is to work diligently to preserve remaining depositor funds and trace the money that was hidden or smuggled, domestically or abroad.

[AL-DUSTUR] Any real chance of regaining funds smuggled abroad?

[Dr al-Sa'id] Even if such a possibility existed, no foreign banking institution would disclose depositor transactions except under a court order. The funds could presumably be regained if the government were able to identify their volume and place of deposit, sue on the basis that they belong to others and not to the account holder, if it was able to obtain a court ruling to that effect. Short of this, it would be difficult, even impossible, to regain a cent of the money deposited abroad. [passage omitted]

[AL-DUSTUR] You consider the exchange market one of the accomplishments of the government of Dr 'Atif Sidqi. Was it actually able to control currency trades on the black market?

[Dr al-Sa'id] Most assuredly. It was a step in the right direction of economic reform of currency exchange and evaluation. However, it is now in need of further development and expansion in order to cover all aspects of supply and demand in the Egyptian economy and foreign exchange. That is the objective.

[AL-DUSTUR] How, then, can the citizen obtain the foreign money needed for travel on pilgrimage, for treatment, or for pleasure?

[Dr al-Sa'id] He can buy from a person with a bank account in dollars. The currency exchange market will be able to meet such needs at a later stage.

[AL-DUSTUR] What is the truth of the conflict between Egypt and the International Monetary Fund [IMF]?

[Dr al-Sa'id] In reality, the IMF has problems not only with Egypt but with many third world countries. There are two reasons for this. The Fund, whenever it extends assistance to a state, requires it to undertake certain reforms that are invariably short-range and do not address development in general or in the long range.

The second reason is that the balance of payments is the IMF's main concern. It intervenes in case of deficit. That intervention, however, primarily addresses the monetary aspects of national economies, such as budgetary deficit, domestic credit, and the volume of currency. It does not go to other economic issues, especially those that touch on justice and gradual reform or on prices and the impact of sharp increases on social and economic variables. By contrast, nations usually focus on long-range development, are concerned with all economic aspects, and prefer to implement reforms gradually. This is the source of constant conflict and disagreement between the IMF and various nations.

Governments are usually forced to resort to the Fund not merely because of the short-range loans it extends to help improve balances of payments, but because the fund's

so-called certificate of validity enables them to reschedule debts to other nations that they are no longer able to service on the old schedules.

This is the core of the current conflict between Egypt and the IMF, which has frustrated debt rescheduling by the Paris Club for the second straight year.

[AL-DUSTUR] Zambia, Peru, and Brazil have openly declared non-cooperation with the IMF and have stopped repayment of debts to certain western nations. What if Egypt did the same?

[Dr al-Sa'id] It is not advisable for any government to take this step because of the inherent risks of losing global credit and the ability to borrow in the future. This would also undermine domestic bank credit arrangements with other banks the world over. There are many other alternatives to rescheduling, maneuvering, and procrastination.

[AL-DUSTUR] Could Arab development funds take the place of the IMF with regard to Egyptian debts?

[Dr al-Sa'id] It is the responsibility of Arab development fund go beyond Egypt to the Arab world as a whole, not to mention that their capabilities are limited. It would be excessive, therefore, to presume that they can solve Egypt's economic problems. It is the Arab governments, with all their surpluses, that are qualified to play this role. However, this is no narrow economic issue, but a political one.

[AL-DUSTUR] How responsive would the Egyptian economy be to IMF demands, would you say?

[Dr al-Sa'id] The two parties need to reconcile within the parameters I explored earlier.

Parliament Member Discusses Legislative Issues 45040340B Cairo AL-NUR in Arabic 17 May 89 p 7

[Article by Ahmad 'Abd-al-'Aziz: "Welcome to Mr Fathi Fadl 'Abd-al-Wahid, Member of the People's Assembly for 'Coalition'"]

[Text] And welcome to you. My name is Fathi Fadl 'Abd-al-Wahid. I was born in 1938 in the village of al-Shaykh Mas'ud in the administrative district of Maghaghah. I am now a member of the People's Assembly and I was elected to serve in that body on the list of the Islamic Coalition's candidates.

We support any law or any method whose aim is to put an end to the serious phenomenon of the spread of drugs. We support every effort that is being made in that regard. However, we have reservations about that bill [the new drug law] because a remedy to that problem can only come when one looks at the whole situation. This means we have to have a comprehensive plan and a climate that is conducive to dealing with that problem.

We must try to put an end to all forms of corruption, and we must block all avenues to corruption as well. We must also deal with the reasons why people use drugs and deviate from the true path. The law cannot singlehandedly deal with such issues. The law is one method of dealing with such a situation; it is not every method. A proper Islamic upbringing is one way this problem can be dealt with. Young people must be brought up properly. The media, which publish and broadcast material which promotes vice and drug use, represent another method. They must correct their ways so that the general climate can be prepared and be made suitable for applying a comprehensive plan. I do believe, however, that it would be difficult for the law alone to deal with such a grave phenomenon.

The best and the most suitable way to bring about the application of the canonical laws of Islam is to start immediately by preparing the general climate. To do that, special attention is to be given to the visual, audio and print media. All institutions, organizations and government offices must also be prepared for the application of Islamic law. Emphasis must also be placed on role models. We must have proper role models everywhere, and we must also start applying the laws which were re-written to make them compatible with Islamic law. This requires serious action on the part of the People's Assembly and the other authorized legislative agencies.

To those who say that society is not yet ready for the establishment of mandatory punishments, let us say that the canonical laws of Islam do not consist exclusively of mandatory punishments. The canonical laws of Islam deal primarily with discipline, conduct and the upbringing of individuals who can thus be spared the burden of submitting to mandatory punishments. Let us tell these people there is no justification for such an excuse. How can there be an Islamic society leading a proper Islamic life when, according to the noble tradition, the honorable Prophet says, "Fire is a more appropriate place for everything that results from sinful acts?" Let us also tell those people that if this were a proper argument for their cause, it would have been more appropriate for the Prophet to postpone the application of all or parts of the canonical laws of Islam. But the Messenger is the one who applied the law in full, despite the spread of ignorance during that period. We must hasten to apply the canonical laws of Islam so we can lead a good life in this world and the next. We must hasten to apply the canonical laws of Islam so that we may receive unexpected blessings from Almighty God.

In the People's Assembly no effort is spared to get the laws which have to do with the canonical laws of Islam out of the filing cabinets and into the assembly. Unfortunately, however, these efforts have gotten us nowhere, given the opinion of the majority, which is affiliated with the National [Democratic] Party. This majority did not heed the call from God which would have brought about

the nation's deliverance. We are always telling the members of that majority that we seek no private gain in demanding the application of the canonical laws of Islam. We are always telling them that all we want is someone in power who will apply the canonical laws of Islam to serve the interests of Egypt, the interests of the Islamic world, or rather, the interests of the whole world.

The conflict between the police and Islamic groups will continue as long as the policy of using force to deal with ideas continues. This policy is wrong because only ideas can be used to resist other ideas. Ideas can never be resisted with weapons. Instead, ideas can be resisted by following a logical approach, by using dialogue and by attempting to solve young people's problems. These problems are getting worse in the absence of Islamic laws. Unemployment is high, prices are high, and the housing shortage is getting worse. On the opposite side of that situation, some groups are becoming extremely wealthy, and they are gaining wealth effortlessly and illegally. This provokes the resentment of people who are toiling and tired, especially young people who are suffering from these conditions.

It is inevitable that all these factors together will lead to a clash. As I mentioned, the comprehensive answer that will bring an end to this clash lies in the application of Islamic laws.

The recent Shura Council law does not, of course, provide the remedy we have been hoping for. The law allowed the expansion of electoral districts, and that will increase the burden on the candidate and on the parties. In general, we have several demands regarding these elections. These demands include judicial authority oversight of the elections process in its entirety, from beginning to end. Another is that voters' lists must be rooted in the reality of the civil register and not inspired by the imagination. Adequate guarantees must be in place to ensure that no forgeries are committed in the elections. Voters and candidates can thus be certain that the elections process is a serious one. Both voters and candidates would then be willing to participate in the process, and both would have confidence in it.

Shari'ah Society President Speaks on Role, Activities
45040340A Cairo AL-NUR in Arabic 26 Apr 89 p 7

[Article: "Welcome to His Eminence Shaykh 'Umar Sutuhi, President of Shari'ah Society in Abu-Qirgas"]

[Text] And welcome to you. My full name is 'Umar Ahmad Sutuhi Hasan. I was born in September 1948 in Abu-Qirgas. I have an academic degree in the canonical law of Islam and in law; I serve as an inspector of sermons at al-Azhar and as member of the board of directors of the main chapter of Shari'ah Society in Cairo. I also serve as president of the Abu-Qirgas chapter of the Shari'ah Society.

The Shari'ah Society is performing its role fully according to its principles, which are based on the Koran and the tradition of the Prophet. The Society believes that Islam is a system striving for the happiness of society and the stability of families. Islam strives to make individuals in a nation work together in the spirit of righteousness and piety. It is on this basis that the Shari'ah Society approaches activities in all areas: pedagogical and educational areas, as well as those which are related to health or society. Those activities are based on the sincerity of its board of directors. We thank God that the Shari'ah Society succeeded in its projects nationwide.

Every society has principles and goals on which it is founded, and every society has its board of directors. The principles of every society must be respected as long as that society works to achieve goals to serve the homeland's interests and the interests of Islam and Muslims. The names of these societies serve only to identify them and distinguish them from each other. And yet, I think that merging these societies together could be difficult because each follows different methods to achieve the same goal. That goal is the canonical law of Islam. In general, the Shari'ah Society does not forbid working with any other society as long as that society serves Islam. After all, the full name of our society is the Shari'ah Society for the Cooperation of Those Who Live and Work by the Koran and the Prophetic Tradition. That is why the Shari'ah Society stands beside any individual or body that works for the interests of Islam.

The application of shari'ah requires two things. First, it requires a commitment from the ruler, because he is the imam who is responsible in the eyes of God for the application of God's laws. After all, it is the imam who takes upon himself the responsibility for Muslims' affairs. Since God's law is just and true and since it sets forth a reasonable course, God Almighty will hold any ruler who fails to apply His law accountable. The application of God's law may very well be what is intended in this Koranic verse: "Allah commands you to pass judgment upon men with fairness" [al-Nisa':58].

Second, the application of shari'ah requires a commitment from the people who are the second party in the case. This means people must fear God and heed Him in public and in private, because no ruler can find out what people harbor in their hearts and minds. A clear example of this may be found in the story about the daughter of a woman who sold milk. She did not fear 'Umar, but she did fear Almighty God.

Scholars play a major part in that area, too, since they can reconcile matters regarding the application of the canonical laws of Islam between a ruler, on the one hand, and the people, on the other.

The problem of putting too many restrictions on young Muslims is one that stems from deviating from Islam. As rulers and subjects, we are supposed to come together under the umbrella of Islam, and we are supposed to

consider the Prophet's tradition a decisive factor in settling differences. There is no one in our midst who showed no mercy to the young; there is no one in our midst who did not respect the old and who did not honor and esteem our scholars. In general, we advise blocking any avenue which might lead to civil strife. We advise that all those who resent Islam be denied an opportunity to hurt it. The relationship between rulers and subjects must be based on friendship and mutual respect. Attention must be paid to young people, and they must be looked after, because they are this nation's budding promise and its hope for a radiant future.

We do not acknowledge the charges made by the governor of al-Minya against young people, because a Muslim may not unjustly charge anyone with a crime unless he has incontrovertible and truthful evidence against that person. God Almighty says, "He that commits an offense or a crime and charges an innocent man with it, shall bear the guilt of calumny and gross injustice" [al-Nisa': 112]. The noble Prophet says, "If statements made by people were taken at face value, people would lay claim to other people's property and toil. But he who makes such a claim has to provide evidence or take an oath over what he disputes."

Let me affirm that young Muslims are the most sincere and the purest young people. In fact, they are the best young people in the world because they are loyal, committed and devoted to their God. If God's laws were applied on earth, all disputes would come to an end and people would stop accusing each other. God forbade us from engaging in disputes when He said, "...do not dispute with one another, lest you should lose courage and your resolve weaken. Have patience: Allah is with those that are patient" [al-Anfal: 46].

Brotherhood Official Sees Emergency Laws as Undemocratic

45040346 Cairo AL-I'TISAM in Arabic
May 89 pp 14-15

[Article by Mustafa Mashhur: "Continuing Story of the Emergency Laws—How Long, and Where To?"]

[Text] Every citizen has the right to ask whether we are really living democratically, or whether we have rationed democracy. President al-Sadat made a point of calling his administration "a government of institutions" and raising the slogan of "the sovereignty of the law." Yet, under the shadow of these slogans, the "tailors of laws" fashioned a number of emergency laws limiting freedoms, or, putting it more precisely, rationing democracy.

One of these emergency laws was the 1979 presidential decree canceling the rules of the Student Union issued in 1976. The tailors presented officials with rules emptying the union of its meaning, limiting student power, and making the union subject to university officials, even though university student unions had provided great services to male and female students when they came

under the control of the Islamists. However, President al-Sadat did not like the position of the Islamic groups toward the initiative and the Camp David agreement, nor did he accept the advice given to him by the student 'Abd-al-Mun'im Abu-al-Futuh, president of the Cairo University union, in a meeting with university union heads. Thus, putting pressure on the Islamic tendency lay behind the cancelation of the rules of the student union and their replacement with other, inferior rules.

Another of these emergency laws was the defamation law that came to round out the Camp David agreement. It made liable to punishment anyone who insulted the new friend—the Zionist entity. The Islamic tendency, headed by the Muslim Brotherhood, was among the first opponents of this agreement and normalization.

Another of these emergency laws was the press law that the tailors of laws fashioned against the magazines AL-DA'WAH and AL-I'TISAM. The law specified that the license of any magazine would terminate with the death of its owner. It was well known that the holder of the permit for AL-DA'WAH was the now deceased Hajj Salih 'Ashmawi, who at the time was aged and ailing. The owner of AL-I'TISAM is Shaykh Ahmad 'Ashur—may God lengthen his life! He is aged and ailing—may God heal him! The new law also places many restrictions on the publication of any magazine or newspaper. Indeed, the Brotherhood established a 100-person company in accordance with the law, but State Security procedures, delays, and pressures on the Economy Ministry not to rule on the company have continued until now.

This unfair law ought to be repealed, and the publication of magazines and newspapers ought to be made easier.

Another emergency law that the tailors of laws fashioned during President al-Sadat's administration was the political parties law. Its designers intended to prevent Islamists from practicing politics. President al-Sadat used to raise the slogan, "No politics in religion, and no religion in politics." By this, he meant the Muslim Brotherhood, despite the fact that they were not legally carrying on their activity, due to the ruling regime's claim that there was a 1954 decree that had dissolved them.

This political parties law must be repealed or corrected.

Another of the emergency laws is the Emergency Act that was proclaimed for a period of 1 year following the killing of President al-Sadat and the events in Asyut. Its term has been renewed again and again. The last time, it was extended for more than 3 years. We are still living under it. It is being misused, especially with the Islamists.

There have been many complaints about it and demands for its repeal.

Another of the emergency laws is the law for election by proportional slate to the People's Assembly. The tailors of the law were asked to fashion it against the Brotherhood, to prevent their breaking into the political field, since they had no legal existence. The proportional slate election law restricts the election to authorized parties.

However, the late Professor 'Umar al-Talmasani was able to agree with the New Wafd Party that some Muslim Brothers would be included under the sign of the Wafd Party. After the elections, each deputy would continue to hold to his principles. At that time in 1984, about nine Muslim Brothers entered the People's Assembly.

This law was challenged on constitutional grounds. It clearly violated the Constitution, which decrees the right of every citizen to run for parliament, even if he is not affiliated with any political party.

The tailors of the law quickly made a slight change that from the ruling regime's point of view removed the law's invalidity. The People's Assembly was dissolved, and elections were held under the new law. The Brotherhood entered into an Islamic coalition with the Labor Party and the Liberal Party, raising as its slogan, "Islam is the solution."

The law by itself was not enough. There were many forms of interference and falsification to stop the Islamic tendency from breaking into the People's Assembly. In spite of this, 36 members from the Brotherhood were successful, by the grace of God!

Another of the emergency laws was the local districts law, with elections in them by an unrestricted list, and with their powers limited. This took place in light of what had become evident in the People's Assembly elections—namely, the favorable response of the Egyptian political scene to the Islamic coalition. The passage of this law led to a boycott of these elections by the opposition.

Among the most recent attempts is the reported decision by the council of Asyut University to incorporate a "behavior" item into the temporary graduation diplomas of students of the university. Asyut University is trying to make this strange decision the general practice in the other Egyptian universities and on the original diplomas, not just the temporary ones. As reported, the decision aims at attempting to stop excesses by extremist elements. Can this come from the thinking of eminent professors, deans of university faculties, or does State Security have a role, as well as the tailors of laws doing their patriotic duty?

In no university in the world have we heard of such a discredited idea and such unacceptable persecution that could conceivably close all doors to any graduate whose diploma described him as having been an extremist. Who are those who pass the sentence of extremism? Will the circumstances of a 20-year-old and his behavior

remain all his life without alteration? What is the solution for a student who graduates a moderate and becomes an extremist after graduation? People, we have had enough of this continuing series of ill-famed laws that oppress citizens and damage general freedoms.

Finally, we hear that the tailors of laws may be busy these days preparing a draft law to limit the powers of professional unions and university faculty clubs, now that individuals from the Islamic tendency and the Brotherhood have reached the boards of directors of some of these professional unions and faculty clubs, even though the positive achievements realized by these unions and clubs under the Islamists have brought many benefits to these groups, and even though no infractions of the law have occurred in any of them.

Therefore we say: Isn't this method of continuing the story of emergency laws the very thing that is stifling speech and preventing citizens' exercising their constitutional rights to participate in building their country? There must be freedom to choose representatives of the people in all these institutions, so that everyone may share in rescuing the country from decline and in serious work toward emerging from these crises and building a bright future in an atmosphere of cooperation between rulers and ruled. We demand repeal of all the emergency laws. The tailors of laws should take a perpetual vacation. They have committed sins enough!

NPUG, MB Shaykhs on Islamic Issues, Public Sector

45040337C Cairo AL-AHALI in Arabic 26 Apr 89 p 10

[Article: "National Progressive Unionist Party, Muslim Brotherhood in Discussion in al-Fayyum for the First Time; Shaykh Mustafa 'Asi: 'Islam Established Public Sector, Favored the Poor from Outset,' Shaykh al-'Ishri: 'Investment Companies Can Return Deposits, but Government Says No'"]

[Text] Shaykh Mustafa 'Asi, member of the Central Secretariat of the National Progressive Unionist Grouping [NPUG] and Shaykh 'Abd-al-'Aziz al-'Ishri, member of the People's Assembly representing the Muslim Brotherhood, spoke at the first popular discussion in which the NPUP [National Progressive Unionist Party] and the Muslim Brotherhood participated. That discussion was held at the Teachers' Union Building in Sinuris. This was the first discussion in which the NPUP and the Muslim Brotherhood participated.

Hot topics were discussed, and citizens participated in the discussion. They asked Shaykh al-'Ishri to speak candidly about the relationship between the Muslim Brothers and investment companies. They asked him to discuss the Muslim Brothers' opinions on the public sector, wealth, and power in Islam.

Shaykh al-'Ishri started talking about general subjects and ended up talking about education. He said education must become a private sector activity. Dr Lutfi Sulayman, NPUP secretary general in al-Fayyum asked him what he meant by that remark, and Shaykh al-'Ishri replied, "The public sector did not succeed in industry; how can it succeed in education?"

That was the point at which the discussion became stimulating. Teachers who were present rose [to meet that challenge] with questions and statements defending public education and its role. They argued that private education could never do what public education can do.

Shaykh Mustafa 'Asi spoke about wealth and power in Islam. He said that the foundations for the public sector were found in Islam and that, according to Islam, government should benefit the community. This has been the approach taken by Islam since its birth when it sided with the poor. Shaykh 'Asi cited the example of 'Umar ibn al-Khattab who, when he was caliph, refused to give soldiers land in territory that had been conquered. He gave them salaries only. The prophet's companions approved that approach, and the first foundation for the public sector in the field of agriculture was laid.

Shaykh al-'Ishri replied that Shaykh 'Asi was citing examples out of context to support his ideology. He went on to talk about wealth in Islam, and he attacked wasteful spending. Those attending the discussion asked him to explain the relationship between the Muslim Brothers and investment companies. Shaykh al-'Ishri started by condemning the companies, and he said that he does not approve of what they did. They did not use the funds to serve the interests of Muslims. Soon afterwards, however, he started defending the investment companies, and he said, "These investment companies, especially al-Rayyan Investment Company, can return depositors' funds, but the government will not let them do that." Shaykh al-'Ishri accused the government of being behind the disaster from the outset because a few senior officials were benefiting from the "lists of blessings." !! These officials wanted to cover up their positions, and they did that by means of the statements which were published in newspapers. Shaykh al-'Ishri added, "I reveal no secret when I say that al-Rayyan sent a press release to AL-SHA'B announcing his willingness to return depositors' funds. But the authorities refused to publish that press release, and they threatened to confiscate the newspaper if AL-SHA'B printed it." Shaykh al-'Ishri made no comment when Shaykh Mustafa 'Asi asked for a copy of that press release, if it exists, so it can be printed in AL-AHALI.

Those attending the discussion wondered why the Muslim Brothers expressed enthusiasm for these companies, but Shaykh al-'Ishri denied the existence of such support.

Natural Gas Field Contains 800 Billion Cubic Feet

JN3006075789 Cairo AL-AKHBAR in Arabic
28 Jun 89 p 1

[By Khalid Jabr]

[Text] Alexandria—Chemist 'Abd-al-Hadi Qandil, minister of petroleum and mineral resources, has said that the most modern natural gas field in the Mediterranean waters is currently being prepared and will be ready for production within 18 months.

He said initial tests on the north Abu-Qir sea field (NAF) [as published] showed the value of the achievement will be 10 times greater than the total expenses. Egyptian expertise is being used, he said.

During his inspection yesterday of the Egyptian drilling company's field repair agency at Abu-Qir field, the minister said the field was handed over to the state by the French company that held the exploration right. The company received \$65 million in compensation, he added. Initial estimates of the field's gas reserves put the figure at 560 billion cubic feet. However, after the field was developed and eight wells costing \$87 million dollars were dug, the reserves amounted to 800 billion cubic feet, with a current value of approximately \$1.6 billion.

New Military Equipment Shown in Maneuvers

JN2406174589 Cairo AL-AKHBAR in Arabic
22 Jun 89 p 3

[Excerpt] General Yusuf Sabri Abu-Talib, minister of defense and war production, affirmed that despite our firm clinging to peace, we are convinced that peace will not be defended except by armed forces capable of defending the homeland's territory and armed with modern weapons. He said "This is not a specific threat to anyone. However, we seek to maintain the power that safeguards the homeland's safety so that the state will develop."

The defense minister added that the exercises and maneuvers are necessary to protect the national safety of the homeland. He said "We are constantly seeking to make it happen with the highest economy on ammunition. The ability of other units that do not take part in the maneuvers will be measured through tests on the modern equipment without using ammunition."

Gen Abu-Talib said this in a speech delivered after he witnessed one of the maneuver stages (Taba-1), which took place in the southern sector of Sinai at a depth of 100 km east of the canal. The maneuver took place with live ammunition. Elements from the Air Force, air defense, infantry, artillery, armored vehicles, parachutists, shock troops, scouts, engineers, and chemical and electronic warfare took part in the maneuver, which was carried out by the Third Field Army.

For the first time, the new Egyptian missile invented by Egyptian military engineers to open gaps in mine fields appeared in the maneuver. The mechanical land bridge used for troops to cross over anti-tank trenches also appeared for the first time. It is of 100-percent Egyptian design and can carry up to 60 tons. It is powered by hydraulic energy. An air battle was set up between U.S. F-16's and French Mirage-2000's over the Mitla Pass in Sinai. The maneuver included the landing of equipment and individuals over elevated areas to be able to control passes. It also included participation of the artillery and the Air Force in preparatory firing actions to provide the opportunity for the progress of the forces and to land special parachute troops. [Passage omitted]

Land Mismanagement, Well-digging Salinize Delta Water

45050305A Cairo *AKHBAR AL-YAWM*
in Arabic 8 Apr 89 p 10

[Article by Rifat Fayyad]

[Text] Watch out; saline waters have reached Tanta, and the Rashid branch [of the Nile] has turned into a drainage ditch. Moreover, the groundwater level in the delta has risen above that of the Nile waters! This serious warning came in a symposium organized by the College of Sciences in al-Azhar University along with the Academy of Scientific Research and attended by more than 500 scholars and researchers concerned with this issue. With them, I observed all the other subjects connected to groundwater.

At the start of the symposium, Dr Maghawari Dayyab, dean of the College of Sciences in al-Minufiyah University and professor of groundwater geology, brought out a number of important and serious facts, including the fact that so far the groundwater issue has not been settled in Egypt. No agency has been able to estimate the underground reserves of these waters or whether they are renewable waters or waters stored from ancient times. Subsequently, there is no map outlining these waters that would make it possible to determine the area which could be reclaimed and cultivated using these waters.

Moreover, Egypt does not presently have a count of the groundwater wells, and there is no set method that can be applied to the digging of wells. Anyone can dig any well in any form with any design he wants without any study of the quality or quantity of the extracted water, or the degree of salinity in it.

The Serious Situation in the Delta

Dr Dayyab spoke about the problem of the salinity of the wells and the gravity of this phenomenon in Egypt now. He said that whoever sees the dozens of excavations on both sides of the desert road from Cairo to Alexandria and Cairo to Ismailia might feel somewhat pleased

because there are attempts to reclaim the land, but because of the uninformed digging of dozens of wells in these regions, most of them have hit saline water.

He moved to the most serious occurrence of salinization occurring now in the delta region. He said that irrigation in the delta region is up to 11,000 cubic meters per feddan a year, even though the world rate varies between 4 and 5 cubic meters per feddan a year, and this excess has caused the level of underground water in the delta to rise. Aggravating the problem was the use of flood irrigation in the reclaimed desert regions east and west of the delta, which helped to increase the level of the groundwater in the delta by seeping into it from these regions; moreover, it is saline water. All this has resulted in the fact that the Rashid branch now has turned into a drainage ditch and not into one of the branches of the Nile River, after the groundwater level in the delta had reached a level higher than that of the Nile waters; indeed and more serious than that is the fact that the saline waters have extended under the delta so much so that they have reached Tanta, and whoever digs any well to a depth of between only 15 and 30 meters will find salt water and not fresh water.

Because of bad drainagae in some places such as al-Nubariyah, the water level rose until many of them have now turned into a pool in only 10 years, during which we applied the flood method of irrigation on the newly reclaimed lands.

In the end, Dr Magharawi affirmed that there are many Egyptian ruins that have begun to be affected by the underground water. He called for the establishment of a high-level national agency, in which the scattered offices pertaining to the issue of underground water in Egypt would be brought together. He also called for the establishment of new specialist units on which everything would rely. This agency would be active in researching and implementing projects and would have complete control over problems of underground water with respect to research, utilization, and removing its effects on installations, towns, villages, and ruins.

Holiday Prayer Sermons Urge Shari'ah Application

45040342 Cairo *AL-NUR* in Arabic 10 May 89 pp 6, 8

[Unattributed article: "Millions Participate in Holiday Prayer Service Held in Open Air; Experiment Succeeds for Fifth Time despite Security's Transgressions; Holiday Prayer Sermons Affirm Need To Apply Islamic Law To Find Way out of Hard, Wretched Life We Are Living"]

[Excerpts] For the fifth time in a row, the experiment to revive the tradition of holding holiday prayer services in the open air in the country's governorates succeeded despite clashes contrived by the Ministry of Interior and

warnings issued against that practice. The holiday prayer service was held successfully despite the ministry's persistent demand that this valuable tradition be abolished.

Millions of worshipers participated in the prayer service that was held last Saturday in the open air on the blessed holiday of minor Bairam. Those worshipers worshiped peacefully, and, despite some transgressions by security, dispersed quietly after they heard the holiday sermon. [passage omitted]

Islam Is the Solution

More than 50,000 worshipers participated in the holiday prayer service at 'Amru ibn al-'As Mosque in Misr al-Qadimah.

Dr 'Abd-al-Sabur Shahin affirmed that Islam was the solution. He said that through Islam balance, equity, progress, prosperity, and upward development could be achieved. He affirmed that Islam was the way to promote the word of God and achieve good things for the community of Islam.

Dr Shahin added that the society Islam is calling for and the society we are hoping for must become a material fact. This is not because we seek any gain and not because we have any desire for power. Nor do we want an Islamic society because we want to force our opinions on others. We want an Islamic society because we seek mercy in a merciless age and because we seek good things in a time when good things are hard to find. We live in a society whose members are about to turn into wolves and beasts that devour each other. We live in an age when anyone who can take advantage of Muslims does so, in order to make a fortune which he can hide in foreign banks.

Dr Shahin indicated that the major fundamental issue was one of principle, method, and law. This question is about the destiny of the Islamic nation in its entirety. It is the question of the prophets' eminent leadership. God gave this nation control and dominance over the remaining nations.

He added that this was not a question about a dialogue between oneself and an individual but that it was a question about civilization, progress, advancement, commitment, freedom, and a comprehensive outlook.

Without saying anything foolish and insulting against the course of God, let us say that Islam is the solution with which equity can be achieved and progress and prosperity realized so that the word of God can be promoted. Islam is not chopping off hands and heads and shedding blood. Nothing can be further from Islam than that. We must understand Islam in a way that is quite different from the way Islam is understood by dissolute and materialistic people.

His Eminence, Dr Shahin, thinks that there is evidence to indicate that the condition of Muslims is improving, thank God. The victory scored by freedom fighters in Afghanistan—a victory that is unprecedented in the Islamic world—is an example of that.

He warned that Russia and the enemies of Islam were trying to spoil this victory by sowing the seeds of dissent, advocating sectarianism and dividing people into two and six factions. What they did not achieve with missiles, tanks, and airplanes, they might achieve through sectarian divisions, by splitting and dividing the ranks.

Dr Shahin made it clear that prosperity and achieving it on Islamic territory was the major issue. As long as we can breathe, we must not act like beggars and put out our hands to the West, expecting to receive our bread and butter from our enemies. How can we beg when our fortune is in the billions? How can we do this when we have young Muslims? We must intensify our efforts, and we must work together to achieve this prosperity through which equality and justice can be achieved.

In Shubra Al-Khaymah

At the Armed Forces mosque in Shubra al-Khaymah the prayer service was attended by over 3,000 worshipers. The holiday sermon was delivered by Shaykh Muhammad Nada. [passage omitted]

Shaykh Muhammad Nada indicated that the deception and misery we were experiencing were trials imposed on us by Almighty God. "We are being warned," said the shaykh, "so that we can cut down the number of our mistakes and fear God with regard to what we hear, what we see, and what we think. We are being warned to fear God in all our affairs so God will enable us to see our way out of this plight."

Shaykh Muhammad Nada warned against the dissolution of society which at the present time is beginning to creep into the Egyptian family. He said this holiday was a major opportunity to restore some broken ties and broken relationships to their normal condition. He said this holiday was an opportunity to offer assistance to everyone who needed it. Thus, the Muslim family can be restored to its former strong, cohesive, and closely knit condition. [passage omitted]

In Al-Matariyyah

In the holiday sermon he delivered at al-Matariyyah Square, Shaykh 'Ali Salamah demanded support for the stone-throwers' revolution in Palestine so they can achieve victory.

He said that Muslims everywhere on earth have to wake up from their slumber. They must know that it is the duty of every Muslim to liberate Palestine and al-Aqsa Mosque because they are Islamic territory. [passage omitted]

In the city of Minya al-Qamh security forces shut down the open air spaces that had been designated for the prayer service by flooding them with water. When the worshipers went to the site of the Monday market and al-Akyabi's land, there was water everywhere. The place had been turned into a lake of mud. The worshipers then went to the nearest mosques, repeating, "May God reward us with His favor." [passage omitted]

In Abu Kibir

In the city of Abu Kibir in al-Sharqiyah Governorate, Muslims performed the holiday prayer in the People's Square. The Ministry of Awqaf had indicated that the holiday prayer service would be held in the square after police forces flooded the site in al-Fadan where the Muslim Brothers Group had held their prayer service for over 10 years. The Muslim Brothers group expressed no objection to the fact that the site which they had been using to hold their prayer service had been flooded. As soon as they found out that firefighters' water hoses had been used to flood the land and that this was done under the close protection of security forces, they announced that the prayer service would be moved and held in the People's Square. The prayer service was performed there, and it was led by Shaykh Sulayman al-Najjar, a preacher from the Ministry of Awqaf.

On the other hand, al-Salafiyah Group in Abu Kibir refused to hold their prayer service at the site designated for them by the Ministry of Awqaf. That group's prayer service, which was led by Shaykh 'Abd-al-Mun'im al-Daydamuni, one of the group's members, was held in the same place where the group has always held its prayer service: behind the Abu Basha Mosque, which is considered a stronghold of al-Salafiyah Group in Abu Kibir.

In Kafr Al-Shaykh

In Kafr al-Shaykh the holiday prayer service was held in Kafr al-Shaykh stadium, which was filled to capacity. The holiday sermon was delivered by Shaykh Mahmud 'Abd-al-Hamid who spoke in his sermon about continuing to worship after Ramadan. He spoke about monotheism and about the veil, and he said that the hardship and misery we have been experiencing were due to the fact that we have strayed from the path of Almighty God. He said that Islam's enemies were using women to stab Muslims in the back. He said women were removing their veils and socializing with men. Consequently, they were neglecting the upbringing of the Muslim family.

At the end of his sermon Shaykh Mahmud 'Abd-al-Hamid called for the application of Islamic laws because they were the only way out of the wretched conditions from which Egyptians were suffering.

Columnist Says Only Internal Struggle Can Liberate Palestine

45040325A Cairo AL-AKHBAR in Arabic 10 Apr 89 p 3

[Mahmud 'Abd-al-Mun'im Murad Editorial: "Words"]

[Text] The Shamir government's main preoccupation at present is to find the means with which to end the Palestinian intifadah [uprising], provided that the price for ending it is limited. This means that Shamir wants to gain all the cards and wants, alone and with no partner, the intifadah to end and wants the conditions in the occupied Palestinian territories to subside. At the same time, he wants the Palestinians to gain nothing in return. The Palestinians' rights will not be restored, they will not be able to exercise their legitimate right to establish their state on their land, Israel will not agree to the partition resolution it had approved more than 40 years ago, it will not recognize the PLO, and it will not even promise to consider any of these demands.

For long years, i.e. since I resumed writing and since my pen touched on the Palestinian issue, I have had one viewpoint only, namely that liberation of the occupied Arab territories can be accomplished only with internal struggle. I said this in the days of words and slogans and I said it in the days of airliner hijacking. I have believed at all times that the only effective means is for the Palestinians in the occupied territories to take action. Other means may assist. But this assistance will be limited, secondary and reserve assistance that does not represent the main, primary and serious means.

Nobody expected the intifadah to continue as it has continued to this time. The Palestinians have lost a large number of victims. But throughout the life of the cause, they never gained the world's respect and support as they have gained them these days, because they are struggling on their own land and not on somebody else's land beyond their borders and because they are sacrificing their lives, not those of others. Thus, the Palestinians have achieved great progress. Delegations from the entire world moved to Geneva to hear Yasir 'Arafat. Most countries of the world have recognized the PLO, even the independent state of Palestine. This state now has embassies over which the Palestinian flag flies in numerous capitals. The United States has agreed to negotiate with PLO delegates in Tunis. George Bush has uttered the phrase "the occupied Palestinian territories" and the U.S. president gave the Arab president of Egypt a reception different, for the first time ever, from the reception he gave Israel's prime minister.

The intifadah is the engine or the dynamo. There are numerous other means that help push, move, and achieve the desired results.

Article Explores 'Crisis of Democracy' After Recent Events

45040325B *London AL-TADAMUN in Arabic*
17 Apr 89 pp 39-41

[Article by Amani Kamal: "Is Dialogue of Violence 'Malady of Elite' or Drawback of Democracy; AL-TADAMUN Surveys Specialists on Phenomenon of Tackling Disagreements Between Egyptian Unions and Parties With Punches and Bullets"]

[Excerpts] Recently, a sector of Egyptian intellectuals surprised us by demonstrating that they are not men of opinion and thought only but also men of "attack and retreat," as evidenced by the heated battles that have taken place and continue to take place in the professional unions, in the clubs and in the parties.

The Lawyers Union, the oldest professional union and the one most concerned with defending free expression and respect for the law and human rights, experienced a major split. Fists, knives and bullets were used to settle the disagreements in this union.

In the Pharmacists Union, an ex-council member of the union tried to settle his disagreements with the council by attacking the union premises and occupying its offices by force.

Unions' Strife

In the Engineers Union, a war of pamphlets, statements and rumors flared up and the disputes reached the courts. The adversaries filed 23 lawsuits, not to mention the reports sent to the public prosecution and the socialist prosecutor.

The Businessmen's Union drowned in a 6-year battle over the union chairman's position. There were fist fights and more than 120 lawsuits were filed by the members with the various courts. It is interesting that the two parties to the battle were two prominent ex-officials, namely an ex-deputy prime minister and a chairman of the central organization and management agency.

The artists themselves have not escaped the elite's maladies. A battle broke out over amendment of the law governing the three art unions and developed into a sit-in strike, the issuance of communiques and counter-communiques, the dispatch of appeals to the officials and the exchange of lawsuits.

In People's Assembly and Labor Party

The matter did not end with the professional unions but extended to the Egyptian People's Assembly where a famous clash occurred between the minister of interior and an opposition member and developed into a brawl between the government members and the opposition.

There also were the Labor Party incidents which followed the party congress. In those incidents, the fundamentalist Islamic tendency tried to oust the socialist tendency, so the latter immediately proceeded to storm a number of party offices in the capital and the provinces and clashes ensued between the two factions, who exchanged fire during those clashes.

Crisis of Democracy

Thus, the elite touched off the deepest crisis of democracy in Egypt. Reason, logic and calm dialogue have disappeared from the arenas of unionist and party activity. The elite's means of dialogue have become empty bottles, sticks and chairs. The situation has sometimes even gone as far as the firing of bullets. The logic of force and of mobilizing supporters and bullies has come to settle any disagreement on any issue.

The dialogue of violence has thus become an interesting phenomenon in Egyptian society and it indicates the presence of a deep-rooted crisis in the language of understanding between intellectuals. It has also harmed these intellectuals' reputation before public opinion. It has even cast doubt on the true nature and dimensions of their role in rescuing the country from its numerous concerns and problems.

One wonders: What are the causes of the phenomenon of violence among the intellectuals? What is its influence on their role in society's issues? Can tranquility and stability be restored to the arenas of political, unionist and party activity? [Passage omitted]

Dr Amani Qandil, an expert at the National Social and Criminal Studies Center, says:

"The dynamics of interaction within the unions indicate a democratic crisis at the level of unionist activity. The illegal practices embodied in non-reliance on collective management became evident in the Artists Union incidents. The union law was amended and the amendment was passed by the People's Assembly without the approval of those fundamentally concerned, namely the artists who are the union members. What is interesting is that the objective behind the amendment was to allow the union chairman to stay in office longer than two terms. This phenomenon has not been confined to the artists' union. It has been experienced at different times by the engineers' union, by the chambers of commerce and by the workers' and teachers' unions. This is something that requires research and examination. Most of Egypt's union leaderships, whether labor or professional union leaderships, have been in office for periods of nearly 10 years. Finally, the by-elections and the elections for union chairman came to provide further indications of the crisis of democracy experienced by most interest groups. Some of these groups saw a very low voting percentage and a high degree of intensity, e.g., the engineers' union. Moreover, some of the elections have been tied to a large number of contestations, complaints

and decisions by the Administrative Judiciary Court. Some clashes took place with the government because of its intervention in the elections, e.g., the chambers of commerce. Moreover, bloody clashes occurred in an attempt to oust one faction and not another from union activity, e.g., the lawyers union and the Labor Party.

"Thus, the dynamics of interaction within numerous unions have reflected the crisis of the democratic action within these unions. This is a serious issue that threatens the group's unity and solidarity and that negatively affects its capabilities to negotiate to achieve its members' interests."

Are They Political Shackles?

There are other causes for the violence among intellectuals in the professional unions and the political parties. Dr Mustafa Kamil al-Sayyid, a political science professor at Cairo University, underlines these causes, saying:

"Even though party life is broad enough to accommodate a number of political tendencies, the opportunities of party activity itself are limited because of the numerous shackles imposed on the activity of the political life. There are certain tendencies which have not obtained the right to form parties. It is logical that some party forces would try to expand their sphere of activity by extending it to the circle of professional unions, and that other forces would try to gain podiums to compensate them for the absence of parties that speak in their name. Thus, the intensity of the political conflict between these tendencies within the unions escalates."

Rather, It Is Development

Dr Usamah al-Ghazali Harb, the top political expert at AL-AHRAM's Strategic Studies Center, puts the phenomenon of the elite's violence within the framework of the current development of the Egyptian political system. He says:

"We are still in the phase of forming democracy, whether at the level of legislation and laws, the level of institutions, or the level of behavior and of activity traditions. It is axiomatic that the requisites of the creation and formation phase differ from the requisites of the maturation and stability phase. The creation phase requires a vigilant effort to change the old that is incompatible with democracy and to build the new that agrees with it. Thus, it is necessary to change the legislation and the laws so that they may harmonize the existing economic and social reality with the requisites of effective democratic activity, or to change the institutions and organizations so that they may turn into effective frameworks for democratic activity and may not be shackles to this activity. Changing the prevalent values, concepts and behavioral patterns comes before and after all this."

Expounding his opinion, Dr Usamah al-Ghazali Harb goes on to say: "In this context, the intellectuals' responsibility seems to be redoubled because they, by virtue of the definition of 'intellectual', are the ones who carry the ideas and the visions of how things should be. They are the ones eligible to be the model and the ones capable of establishing the traditions and controlling the criteria. Even though the tribulation of some Egyptian professional unions in the past few years has, more than the tribulation of others, drawn attention to the serious dimension of the intellectuals' crisis and has shed light on the intellectuals' failure, in many cases, to shoulder the burden of building democracy, the contradiction between words and deeds, the laxity in confronting the ideas and values conflicting with democracy, the skill in justifying what should not be justified, and the ability to tailor the rules and the laws to order are all maladies that have proliferated among the intellectuals."

Problem Is Basically Economic

But what are the causes of these maladies among contemporary intellectuals?

Dr Sayyid 'Uways, a sociologist and an expert at the National Center for Social Studies, says:

Today's intellectuals are not like the intellectuals of the 1940's, who belonged to a distinguished class and who were not concerned with money by virtue of their social position. But as a result of the "social movement" produced by the July revolution in the 1960's and the extension of these changes into the 1970's, certain classes have been pushed from bottom to top. Despite the positive indications of the social movement processes, these processes have produced groups of intellectuals who are interested primarily in securing their personal future for fear of dropping to the bottom of the social ladder. This is what has motivated emigration to the oil countries or working with foreign circles and organizations in joint research. Public service has become either marginal in life or a likely source of aggrandization and of acquiring privileges, with all the subsequent complications of such a situation.

"We must also acknowledge the class differences between the members of certain professional groups, such as lawyers, for example. The problems of young lawyers and the widespread unemployment in the profession were the fuel for the latest violent incidents in the union."

"We must also underline the important fact that academic degrees and the cultural accomplishments have not been able to purify the political legacy of the rural intellectuals. This legacy acknowledges paternal authority, is annoyed with opposition, and does not know the true democratic values."

Dr Sayyid 'Uways added: "These are normal phenomena in a society which is still taking its first steps toward democracy and in which all groups and classes are trying to express themselves, to gain evident weight in society and to influence the decision-making."

Vessel of Democracy Can Absorb All Disagreements

In any case, the conflict in this union or in that party will continue, according to the opinion of Ahmad al-Khawajah, the Lawyers' Union chairman and the hero of the union's well-known incidents, who has said:

"Thank God, the conditions in the Lawyers' Union have subsided. All are waging the election which is the final judge in any disagreement. It is certain that the more rational forces which reflect the group's conscience and interest are the forces that will triumph ultimately. But this requires that the political opposition parties and forces, and all those concerned with the matter, devote attention to managing among themselves a dialogue that leads to an acceptable minimum limit on which all the professional unions can agree, taking into their account that no single political faction or social current owns the truth and the force to impose its opinion on the others. The interest of each faction is achieved through the public interest, which reflects the most capacious national democratic vessel, whether in the political parties, the professional unions or the democratic organizations."

Writer Blames Unemployment on Shift From Socialist to Free Economy

45040305B Cairo AKHBAR AL-YAWM
in Arabic 8 Apr 89 p 6

[Article by 'Abd-al-Salam Dawud]

[Excerpts] [Passage omitted] What about the issue of unemployment in our country?

The unemployment of thousands of young men—not to mention young women—comprises a fearful warning, for this army of unemployed is itself a fifth column which penetrates our ranks; weakens our determination; and disrupts our mental, economic, and social security. That is because a single unemployment is like a time bomb waiting for the right moment to go off destroying everything around it.

We made a big mistake when we did not take into consideration that alternating between socialism and a free economy must ultimately make us incapable of solving the crisis of unemployment which we would have to face.

The socialist system used to guarantee us that the state would have complete control over the means of production and thus over creating the necessary job opportunities.

Because of our confidence in this outcome, we sent our sons in the millions to schools and universities, assuring them that immediately after their graduation they would find work in the government factories, farms, and projects.

After we had made great strides in this direction, what did we do but change suddenly to a free economy, leaving the job opportunities to be divided between the government and the private sector.

In the beginning, the government tried to absorb the vast numbers of graduates in its limited offices and agencies, until they were filled and overcrowded, and there was no longer room for more workers.

But when our sons turned to the private sector to look for work, they found the private sector weighed down with chains, besieged by obstacles and some of the remnants of the socialist system.

There is nothing left for the thousands of young men who graduate from the schools and universities every year to do but to walk the streets day and night looking for work which was not there in the first place.

A game of musical chairs began to make a mockery of the dreams of thousands of unemployed who go around panting around a few dozen jobs that are announced from time to time. No sooner does the music stop when too few to mention occupy the empty chairs, while the rest remain out in the street.

Youth and Idleness

It would be futile and irresponsible for us to say that there is a solution to the problem, for the problem is too big, complicated, and has too many ramifications for us to bring up all its dimensions in such a place as this, and from there to identify a cure.

Before we even speak about the issue of unemployment, we must end our vacillation between socialism and the state's obligation to employ the people that it graduates from its schools and universities by the thousands every year, and freeing the hand of the private sector to work without restraints.

Perhaps this issue alone will take years to solve.

After that comes shaking up the government system, which itself suffers from masked unemployment, ridding it of tens and hundreds of unreasonable, outdated laws which hamper every forward step.

After that comes research on projects that would absorb the vast numbers which have accumulated year after year in the streets.

And during all that, there ought to be immediate, serious study on solving the crisis of idleness, frustration, and discontent from which the unemployed suffer.

Many centuries ago, an Arab poet said truly that idleness, youth, and wealth corrupt a person.

If that is so, and there is no doubt that it is so, then what would you think if the third thing after youth and idleness were poverty and not wealth?

A rich person looks for fun and entertainment, and destroys himself. But a poor person who is looking for a morsel of bread goes a different way.

The threat of poverty is not limited to the fact that the poor person in convinced that he has the right to live, even if that is by crime. That is because poverty makes the poor person fight for a morsel of bread when his back is to the wall, that is, he sees himself forced to go beyond the pale good behavior in order to live, and this is the most dangerous thing of all.

For he who has no food might steal, but he might resort to violence if he does not find what he would steal. Moreover, the banding together of dozens of desperate, hungry people constitutes a greater threat, for the person abandons individual crime for a wider and more destructive world, the world of organized gangs.

I do not agree with those who attribute the spread of crimes of rape to unemployment of youth or their inability to get married, because the search for relief of the sexual urge does not necessarily mean resorting to crime. If that were so then there would be thousands of incidents of rape a day, under the circumstances of the current rate of unemployment. [passage omitted]

Neither the media, nor the pulpits of mosques and churches, nor speeches and sermons can do anything to confront this flood of deviations, most of which are attributable to despair and frustration caused by unemployment.

But this maze in itself ought to be an urgent spur for us to find a solution.

We think that this solution will never come about except with economic prosperity: that is, our economic affairs ought first to be revived in order that we might be able to overcome the affects of poverty.

This is a very difficult equation, since it is man who builds a sound economy with work and production, but a person cannot build a sound economy if he himself is not sound. [passage omitted]

Editorial Criticizes Government Inattention to People's Price Complaints

45040337A Cairo AL-AHRAR in Arabic 24 Apr 89 p 2

[Article by Layla 'Abd-al-Salam: "A Tale"]

[Text] In all the countries of the world, when prices rise and high prices prevail, an individual's income is increased almost in proportion to the increase in prices. In Egypt, however, our reasonable government is not troubled by the fact that people are complaining about rising prices. It is not troubled by the fact that tomatoes are being sold for three pounds a kilogram; that flour disappears from the government cooperatives; that the price for one kilogram of oil is almost three pounds; and that the price for one kilogram of sugar is one and a half pounds. I do not know the reasons why the government is keeping people preoccupied with the task of looking for bread. I do not know why it is tormenting them by letting them stand in long lines in the hot sun. The people of Egypt are engaged in discussions about rising prices and about the conversion of meat into protein. In our country, given the fact that per capita income is limited, prices do not correspond to prices anywhere in the world.

People complain, but, except for statements issued by the minister of supply, the government takes no action. In those statements, the minister of supply says that flour and meat are available. Citizens who read these statements think that the ordeal they must go through to get what they need will end, but it's no use—the statements keep coming, and prices go on rising. It is as though the government were challenging the people and telling them to get lost. And people actually feel lost.

The government has always talked to us about the demand to increase production. I have a question to our reasonable government. How can production be increased when citizens spend half their time looking for a sack of flour? How can production be increased when they must stand in line for over two hours to buy a loaf of bread or to look at that protein which is sold in stores so they can satisfy their yearning to buy one kilogram of boneless meat? How can production be increased when citizens stand in front of shish kebab restaurants inhaling the aroma of the meat so they can fill their stomachs with that aroma and feel that they had a taste of shish kebab? Finally, I would say this to our reasonable government: "Empathize with the poor people. You must fix prices and try to stop price increases; you must raise incomes in proportion to price increases, or resign. We have enough troubles as it is."

Columnist Urges People to 'Join the Fighters' Ranks'

45040337B Cairo AL-SHA'B in Arabic 25 Apr 89 pp 1-2

[Article by 'Adil Husayn: "Riddles, Surprises and Shura Council Elections; Government Incapable of Opposing Foreign Conspiracies or Solving Problems of Corruption, High Prices, Unemployment; Solution: Hold Elections To Change Ruling Party; National Islamic Masses Are Being Called upon To Act, to Organize Ranks under Banner of Labor Party"]

[Excerpts] The demonstrations which swept Jordan and

rocked Algeria are undoubtedly thought to be dress rehearsals for what is expected to happen in Egypt if prices rise sharply, as suggested by the past weeks' news.

I believe that serious warning was useful to Egyptian negotiators who used it to improve their positions vis-a-vis the International Monetary Fund [IMF] and the United States. Undoubtedly, Egyptian negotiators must have used these earth-shaking events which occurred in the neighboring countries to tell foreign experts that people's wrath in Egypt could erupt and that unsteady political conditions in Egypt would threaten western and American interests.

The government, of course, has not told us what is happening. It has been trying to conceal what is going on in the talks and hiding the vehement haggling that is taking place. Nevertheless, we can affirm, based on previous experiences, that what we said would happen did actually happen. [passage omitted]

Whatever the puzzle and regardless of the details which we do not know, let us warn here, as we have always warned in the past, against the goals of foreign devilish forces who want to penetrate our country and take possession of our secrets. These foreign forces argue that they do so to ascertain that we are carrying out our pledges to them.

These forces are trying to accomplish their goals at a time when the government is urgently asking creditors to loosen their hold on our necks. In other words, the government is not in a position to ignore creditor countries and their demands. [passage omitted]

All the news which is being disseminated and leaked indicates that foreigners are being asked to participate in managing the general budget or to keep an eye on the armed forces and control their spending. We do not disagree about the fact that overall spending must be reduced, but we must also fight tax evasion so we can increase revenues. And yet, what foreign experts have to say about these matters is tantamount to a truth that is intended to do evil. We do not trust these people at all. We do not trust them to oversee our treasury and the movement of our economy because when they do, they spy on us. They spy on us so they can control our capabilities and give the devil an advantage. We must not forget that Zionists have much influence in international organizations. If their influence is evident in the various departments of the American government, especially the State Department, which has relations with the Middle East and Egypt, then it follows that they are spread out in the offices of the Agency for International Development [AID] where they exercise influence. AID is active in various areas of the Egyptian economy, but there are those who want it to have a bigger role in Egypt's economy. They want AID to exercise more influence on Egypt's economy. [passage omitted]

For years, we have been complaining about the fact that the government has been ignoring political parties, intellectuals and scientists. We told the public that the government has been talking with foreign countries about the nation's problems and the nation's future. We told the public that citizens and all the country's national forces, including the National [Democratic] Party [NDP] as represented by its leaders or its members in parliament, have been frozen out of these talks. We told the public that U.S. congressional committees and committees in Israel's Knesset have more information on the ongoing talks and on the opinions of the different parties than the authorized committees of the People's Assembly. God have mercy! There is no power and no strength save in God! [passage omitted]

Without going into details, let us tell the masses of our people that the battle for Islam and reform (through the Shura Council or otherwise) is one that requires relentless fighters who seek the pleasure of God as their only reward. This means that all those who seek God's pleasure by performing good deeds are to stop being passive and join the fighters' ranks.

In the aftermath of its fifth conference, the Labor Party is reaching out to all patriots who follow the Islamic way. It is asking them to join its ranks and to fight in its battles. Let the battle over the Shura Council be the first one of these battles, and may God grant victory to whomever He chooses. God is great and long live the people. God is great and thanks be to God.

ISRAEL

MK Sarid Discusses Road To Peace
44000541 Tel Aviv *NEW OUTLOOK*
in English May 89 p 9

[MK Yosi Sarid, Citizens' Rights Movement, discussion]

[Text] I feel the need to start off with children. The questions which dead children ask are much more difficult than those asked by living children. I do not know who can answer them—I do not know who ought to.

One dead child asks: If I was really so dangerous, and attached them face to face, so why did I end up with a bullet in my back?

And the second child asks: If they were shooting in the air, and I am really pretty short, then how come I was hit?

The third one asks: If they shot me in the legs, so how is it that I have got a hole in the head?

And the fourth one: If I am only 10-years-old, so why was it reported that a youth was hit? Maybe it isn't really me?

And the fifth one asks: if a plastic bullet doesn't kill and a rubber one doesn't either, so why is my mother crying as if her child has been killed?

And the sixth: If your army is investigating all the time, each and every incident, so how come I know nothing about the circumstances of my own death?

I too have a 14-year-old boy at home. No news editor is going to turn him into a youth for me—no official spokesman can change his face, his voice, and the spirit of his body. I say all of this with the fullest responsibility, only after having urged my son to come into my arms, and my body measured his body and his body temperature accurately.

Self-Told Lies

The official spokesman is not to blame. The whole occupation is based on a lie. A democracy must lie to itself when it holds a whole Palestinian people in its cellar, and doesn't let it emerge from there for 21 years. But the spirit of these people comes up from the cellar and haunts the whole house, story by story, room by room. One can deport people but one cannot deport a spirit. Without the self-told lies, the nightmare would send the democracy out of its mind, and it would end up by taking leave of its soul.

And now I feel that I must tell you the story of Dany Kohen, whose story is my story as well. Dany is 19-years-old. A 19-year-old child, because when they are ours they remain children. He was born in Jerusalem to a mother and father who came from Morocco, and over a year ago he enlisted in the army, in the "NAHAL" [Pioneer Fighting Youth]—an army course which combines military service with kibbutz life. Then the intifada broke out and Dany was sent to Nablus. One day he was patrolling in the Casbah of Nablus and a great big stone was thrown at him. Since that day the bottom part of his body has been completely paralyzed. There is no hope that he will ever recover. Several months ago I opened a Friday paper and saw an interview with Dany, who was named the most severely injured Israeli victim of the intifada. I read Dany saying that Yosi Sarid is the most hates, because Yosi Sarid only worries about the Arabs. I had reach such painful things in the past, but one cannot get used to such pain. I went to the hospital to visit Dany and to talk to him—not that he should agree with me but that he should at least understand me. For both of us it was not an easy confrontation—it was a very tense conversation. After that I came to visit him again and again. Pushing his wheelchair, praying in my mind that the distance between us would shorten—that he and I would be closer to each other.

Time went by and I almost lost hope. It is much more difficult to melt hatred than to melt ice. Until one fine day he called me and invited me to come. I almost cried of joy and excitement. Since then we have been friends.

From here I feel obliged to say to Dany Kohen: You went to the Casbah in our name as well, we too sent you there. We are guilty and you are innocent of any crime. I should like to ask your forgiveness for what has happened to you. Good and handsome Dany: I wish I could stoop over you in order to draw in something of your pain, and share it with you.

All these words are to request forgiveness from your children and ours, Jewish and Palestinian children, who for so long, too long, we have been sending blindly and cruelly to fight each other. You throw a fire bomb at me and I tear down your house. I have a question I should like to ask—who hates the country and its inhabitants more, he who burns or he who destroys, and when does a beloved land cry out more? I have no answer.

We have grown accustomed to getting up in the morning and seeing more people burned, and another destroyed house in the scenery of our homeland, and a whole family sits quietly—how horrible this place, how horrible this silence. Our country which was once the land of the prophets has turned into a land of injustice and strife. In this new land one need not fear God because God is ours and he is always on our side, only on our side. If we cannot share the sky as well as the land, perhaps we do not deserve to see our children grown. For children are the future, and if what was and is, is what will be—then we have no future.

We, who are sitting here together and seeking a compromise, we are the most dangerous enemies of the champions of the status quo. The occupation has an extremely well-developed eye to detect who its greatest enemy is. The terrorists are not dangerous, for each act of theirs only strengthens the occupation. The blood which is shed, the blood of the innocent, oils its wheels. Another murderous attack is not an additional nail in the coffin of the occupation. It is a new nail in the red canopy which bears the occupation. With enemies like the terrorists, the occupation needs no friends.

The political establishment in Israel still hates our moderation. Many Palestinians still hate it as well. Both prefer extreme zealotry to us. There is no problem with extremism—one need not take it into account, one merely has to take aim at it. Moderation, on the other hand, is a problem—one must sit with it, drink a cup of coffee, and in the absence of an alternative one must offer it something and make painful concessions.

The extremists in both camps are carrying out a rear-guard battle against us—their last battle. They are desperate and dangerous because they know that we are winning. This meeting is for them another frustrating sign. The greater our success here, the more mordant their failure.

A Message to Washington

Many American Jews are here with us today—brothers in blood and in approach. Through them I should like to pass on a personal message to the new administration in Washington and to the Jewish community in the United States. The previous administration, the Reagan-Shultz administration, was considered the friendliest which Israeli had ever experienced. I am not so sure about that. I dare say that in the long run the Reagan days will be remembered as days of disregard for and indifference to our main problem—the problem of war and peace. True, they gave us money for which we are thankful. But this generosity reminds one of the conduct of the rich who want to do their minimal duty and soothe their conscience. They do not find the time to really deal with the problems of their fellow man. The Carter administration, on the other hand, was viewed in Jerusalem as a not particularly friendly administration. I beg to differ with this common belief. True, it paid us less in cash and in lip service, it didn't always make our lives easy, but at least it dealt with life itself, and not only our sweet and good life. It was the Carter administration and no other which made peace between ourselves and Egypt.

Only in its last days did the Reagan administration take a correct step toward the future: it opened the American-PLO dialogue.

From here let us together express the hope that the new administration will constitute a combination of the Carter and Reagan administrations. Both support of Israel and in absolute commitment to its security, as well as active encouragement for the making of peace accompanied by concessions and compromise. Let us hope that President Bush and his aides will understand that there is no greater threat to Israel than the continuation of the status quo, and the horrible war which it might produce.

The accumulated experience of the Middle East points to two certainties in a sea of uncertainty: the first is that in the absence of peace a new round of hostilities is bound to break out every few years. The second certainty—every war in our region is more horrible than the previous one. The Bush-Baker administration ought to register these “hard facts” so that it will never lose the sense of urgency.

American Jews Must Speak Out

And now, a message for the American Jewish community: We—my friends and I—are always willing to be guarantors for our brethren in the United States. Their fate concerns us and their future is important to us. Is this feeling mutual? I am not sure. Since the establishment of the State of Israel, and especially in the last 21 years since the occupation, too many American Jews have given too much backing to any Israeli government irrespective of the policies it has followed. They served all the masters, both from the Alignment and the Likud, and with the same degree of enthusiasm. They set aside

their own will for the sake of that of the Israeli establishment. They answered “Amen” after Golda and Rabin, Dayan and Shamir, as well as Sharon—“so be it”—as if they were all Hassidim [pious ones] in a Brooklyn court.

These leaders from Manhattan insisted that their complete support for the governments of Israel was a manifestation of concern and responsibility for the State of Israel. I am a citizen of the State of Israel and I do not accept this argument. If Israel is really important to you, you must get up and speak out whenever, in your opinion, it causes damage to itself. You should have risen when the government of Israel established one hundred settlements in the occupied territories, which are one hundred obstacles to peace. You should have risen when the government of Israel launched the unnecessary war in Lebanon. You should have risen when in the process of crushing the intifada deeds were committed which do not correspond with the norms and values customary in democratic societies or with Jewish morality. You must rise now when the government of Israel continues to demonstrate recalcitrance and short-sightedness, and places obstacles on the road to peace. It is not enough to be interested in the “Who Is a Jew” issue. One must take greater interest in the question what is a Jew. These two questions are inter-connected: If “what is a Jew” is not clear, then perhaps “Who Is a Jew” is not so important.

The state of Israel is much more than the government of Israel. Governments come and go but the State of Israel is here to stay—it must stand forever.

Recommendations to the Government of Israel

The State of Israel is not officially represented here. Nevertheless, I should like to use this opportunity to suggest to the government of Israel a series of measures which will help change the situation.

First of all, as an act of goodwill the administrative detainees in the territories should be released.

Second, free political activity should be allowed in the territories as a first step toward the holding of free elections in the West Bank and Gaza Strip. Such activity should be open to all those willing to recognize Israel and to coexist with it.

Third, freedom of speech and a free press should be allowed in the territories, limited only by the same censorship laws which apply in Israel itself.

Fourth, elections in the territories should be held with international supervision, to ensure their freedom.

Fifth, meetings between personalities from the territories and leaders of the PLO should be allowed to facilitate a respite in the intifadah and the holding of the elections.

Finally, the Palestinian representatives who will be elected in the territories should start negotiations with Israel and prepare the ground for direct talks at a later stage between Israel and the PLO—the legitimate representative of the Arab Palestinian people. There is no escape from the need to confront the PLO face to face. Lip service to options which might never have been realistic and today are nothing but empty slogans, won't do.

The PLO Must Prove Its Credibility

Among those sitting here with us are authorized representatives of the PLO. To them I should like to say the following: Opinion polls carried out in Israel recently show clearly that a majority of the citizens of Israel have reached the conclusion that sooner or later we shall have to talk to the PLO about a solution to the Palestinian-Israeli conflict. There is no doubt that these encouraging findings are a direct result of the important recent declarations made by Yasser 'Arafat, who recognized Israel, adopted Security Council Resolution 242, and spoke out against acts of terror. Public opinion in Israel is much more realistic and progressive than the Israeli leaders.

However, it is worth paying attention to an additional finding which is of the highest importance: even those who support negotiations with the PLO are suspicious of it. Ninety percent of the Jews in Israel do not trust 'Arafat and the PLO. Similar findings also emerged in public opinion polls conducted recently in the United States. The PLO must search its own soul: Why don't people believe it? Why is it viewed as evasive, dodgy, fickle and two-faced?

The PLO's most important and urgent task today is to prove its credibility both in theory and in practice. The citizens of Israel, who have good reason to be fearful and suspicious, must be convinced that the PLO has changed, and that it practices what it preaches. The representatives of the PLO everywhere, and here as well, would do well to repeat again and again that an agreement with Israel based on two states living side by side will be a final and absolute agreement. Once it is signed all traditional territorial demands will be cancelled, and the two states will undertake to struggle mercilessly against irredentist organizations and trends within them.

The citizens of Israel are still afraid that the PLO doctrine of stages is not yet dead: that after the West Bank and the Gaza Strip the second stage will come in which claim will be made to the rest of Israel—the whole of Falastin. This fear is not totally divorced from reality. To this day one can still hear very disturbing statements coming from PLO spokesmen. Such statements raise serious questions.

Let us announce here jointly and unequivocally: When the Palestinian state is established in the West Bank and Gaza Strip it will have no more claims on land, and it

will not proclaim the right of Palestinians to return to their old homes in Israel. Compensation will be forthcoming for those forced by the agreement to give up their claims to land or the right of return, but the settlement must be final, putting an end to the tragic content between the two peoples and opening a new era of welfare, prosperity, and cooperation.

Two peoples live in the land of Israel: the Jewish people and the Arab Palestinian people. Both have natural and historical rights to this land. The alternatives, therefore, are clear: either compromise and partition, or endless war.

Since, upon the establishment of the State of Israel, the Jewish people realized its right to self-determination, the Palestinian people must now realize the same right and establish its state.

The Middle East Is Part of the World

Ladies and gentlemen, the world as of the beginning of 1989 is a much more optimistic and promising world. It is a world which is gradually ridding itself of the struggles which threaten its welfare. A world of dialogue is taking over from a world of confrontation. Everyone is talking to everyone. Everyone is meeting with everyone. Channels of communication which were blocked for many years are opening up. I have not found on the map of the world two enemy states that are not seeking a way to the negotiating table. The United States is talking with the Soviet Union, the Soviet Union is talking with China, China is talking with India, India with Pakistan, and the day will come when Pakistan will talk with Afghanistan. The Soviet Union is getting out of Cambodia, Cuba is getting out of Angola, and South Africa out of Namibia. Not only are states talking to states, even the great powers are talking with liberation organizations. The Soviet Union is trying to talk to the rebels in Afghanistan; Morocco has agreed to talk to the Polisario; Nicaragua to the Contras. The talks are occasionally difficult and riddled with crises, and it is easy to despair; however, there is no alternative to talks. There is no comparison between a conflict in which there has been no attempt to talk, and a conflict in which a door has been opened to negotiations—even if the opening is at first narrow.

The Middle East is not a different planet, even if it sometimes looks that way. The Middle East is part of the world, and it must be part of the new world, which is more conciliatory and responsible. Rabbi Nachman of Braslav once said: The whole world is a very narrow bridge, and the most important thing is not to be afraid. Both Israel and the PLO must stop being afraid, must be courageous, get on the narrow bridge, start walking across it—and meet each other half way.

IDF Unveils Merkava Mark-3 Tank

Upgraded Equipment

44230096 Tel Aviv HADASHOT in Hebrew
4 May 89 p 8

[Article by Shmu'el Tal]

[Text]The IDF [Israel Defense Forces] unveiled yesterday the most advanced tank with which the Armored Corps will soon be supplied—the Merkava Mark-3.

This is the most protected and the strongest tank that the IDF has ever had. It is equipped with a modern cannon, of 120mm bore, and, apart from the engine, is manufactured entirely in Israel.

The price of one tank is \$2.3 million, and it is \$400,000 more expensive than the previous model, the Merkava Mark-2.

The new tank is equipped with a 1,200 horsepower engine, an internal mortar, modern track systems, special modular armor, and the ammunition in its belly is protected from heat and from chain explosions.

The tank's father, Major General Yisra'el Tal, said that there is no basis for comparison between it and other advanced tanks in the world, mainly because this tank is appropriate primarily for the conditions of our theater. But senior officers said that this is undoubtedly one of the best tanks in the world.

The chief of the Ground Forces Command, Maj Gen Uri Sagy, said that the tank has amazing ability to negotiate terrain, and that its armor is such that some of the ammunition used by the enemy will not penetrate it from certain distances.

Armored officers noted that the improved Merkava has tremendous firepower, and that the ammunition fired from its 120mm cannon will penetrate any armor in the theater from longer distances than previously. The new cannon was manufactured in Israel, because no country agreed to sell such cannons to the IDF, and it turned out that Israel has the metallurgical knowledge and the infrastructure to allow the production of the advanced cannon.

The Merkava Mark-3 is capable of transporting an infantry squad and to serve as an advance command post, which will allow the armor commanders to move in armored personnel carriers with the forces in the field. The armor is modular, and is not welded to the tank. This allows its replacement when it has been damaged, or if better armor is found.

Additional improvements: the tank is equipped with systems for defense against chemical warfare, the crew has a special cooling system, and there are no hydraulic systems, which prevents the use of hydraulic oil, which was always one of the greatest dangers for the crew in time of war.

Ready for Battle

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[Article by Shmu'el Tal]

[Text]At the height of the war in Lebanon, a force of Merkava tanks in the eastern sector encountered a Syrian antitank unit, and one of the tanks was damaged by a missile. During the battle, a helicopter carrying Major General Yisra'el Tal, the assistant minister of defense, landed nearby. He demanded that he reach the damaged tank, in order to examine the results of the hit, and to see if it were already possible in the midst of the battles to introduce improvements in the tanks and to reduce the damages.

Yesterday, Maj Gen Tal unveiled the third generation of Merkava tanks. Several senior officers, not known to be emotional, declared that this was a holiday for them, and showered praises on Maj Gen Tal. Maj Gen Ilan Biran: "Taliq initiated it, stuck to the goal and didn't relent, and has given us today the Merkava Mark-3 tank. This is a tank that will be a deterrent and will be decisive in the war."

Maj Gen Tal: "The concept according to which we built the tank is that the man is in the center, and the material is around him. Every component and every system in the tank contributes, in addition to its technical function, also to protection. More than 12,000 tanks have participated on all sides in Israel's wars, and 4,000 were damaged. We succeeded in examining a large number of tanks, and we concluded that 60 percent of the hits were in the front of the tank, and we therefore placed the engine in the front.

"We should remember that no tank is completely impenetrable. Tanks differ in relation to their vulnerability. Merkava tanks were damaged during the Lebanon war, but in comparison with other wars, only half as many crew members were injured in the Merkava tanks that were damaged by enemy fire. All the tanks that were damaged were repaired. It is very difficult to completely destroy a Merkava tank. This tank contributed to the security of soldiers in other models, because the technologies developed for it served to armor other models, and converted them into tanks protected no less well than any other modern tank."

Armored Corps Commander Brigadier General Yosy Ben-Hanan said: "In 1973, when we stood on the ramps on the Golan Heights, we only saw at night what binoculars allowed. This tank gives us an answer to all the

limitations that we suffered then: its armor is a breakthrough, as is its ability to negotiate terrain. With its advanced control systems, the ability to hit the target with the first shell, and the ability to fight at night, this tank is the realization of the old dream of every tankist."

General Tal Interviewed on Merkava-3 Tank
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[Interview by Yitzhaq Tuniq]

[Text]When General Yisra'el Tal is asked if it is correct to say that he is the oldest armorer in the IDF [Israel Defense Forces], he shoots back that in general, as far as he knows, he is the oldest man in the Army today. Later on "Taliq" will ask that this sentence, together with other comments of a personal nature, be stricken from the interview. No matter how you might try to get around him and hope that in the heat of talk something might escape that will reveal the least hint of the man behind the armor plate—if it isn't hackneyed to say that—you simply won't get anywhere. "I don't talk about myself, period," he cuts you off, whenever it seems to you that it is about to happen.

A newspaper interview with Taliq is a rather rare event, perhaps because on this issue he belongs to the generation of commanders who believe in the need for full separation between the mission and the one who carries it out, and perhaps (a no less reasonable possibility in light of several harsh things said below in the interview) as a consequence of his views on the relationship between the media and the Army. One way or the other, what Taliq has to say, in the purely professional realm and only there, he generally says in writing, in articles published every now and then in periodicals like MA'ARKHOT. It would be redundant to note that such articles contain not the slightest hint of personal revelations.

General Yisra'el Tal, Taliq, a synonym for the Hebrew word for armor, was born in Zefat sixty-five years ago. For forty-seven of them he has been in active military service, first in the British Army, through the Hagana, PALMAH [Strike Force of the Haganah] and, since 1949, in the defense establishment. His military biography could easily fill several newspaper columns. His romance with armor, in any case, began immediately after the Sinai Campaign (in which he commanded an infantry brigade), when he was appointed a deputy commander of the armored forces and commander of the famed 7th Brigade. A short while later he was appointed commander of the armored forces and even though he left a number of no less important road markers and served in other senior positions (deputy chief of staff, a member of the founding committee of the Institute for Strategic Studies at the University of Tel Aviv during the course of a temporary separation from regular service, and a proponent of the idea for changing

IDF structure, which led to the establishment of the Ground Forces Command), he continues to be identified mainly as the IDF's first man of armor.

Gen Tal today has an international reputation as one of the great experts on armored warfare and tank development. In the IDF, that expertise is applied today to a very specific concept—the Merkava. When people talk about the Merkava, they think Taliq. Of course you will never hear that sort of thing from him. The praise doesn't even find its way to the description of his official function. On the door of his office in the Defense Ministry building in the municipal complex in Tel Aviv are simply the words Assistant Secretary of Defense, with no indication of what kind of assistant or for what purpose. The same is true of the general's stationery. But inside, beyond the nameplate, behind the closed door, there is no mistaking it. The office of the man considered to be the oracular voice of the Merkava is a magnet for armor people, tankers, armor corps engineers. No matter when you arrive at the office, you will find at least one such type there and usually more.

The room itself fairly screams at you in a loud voice: "Tanker's room"—from the pictures that cover every centimeter of the wall to the shelves loaded with models of tanks of every description but, especially, the Merkava. If by some chance you didn't notice (which is virtually impossible), Taliq will draw your attention to a series of six gigantic pictures right above his head, with a detailed description of the stages of development of the Merkava, from the first model to the development of the last—the Merkava 3.

Once he starts talking about tanks, it is hard to stop him. You ask a question and he storms forward, like out of a giant dust cloud, with a real storm of emotion. He doesn't stop until he reaches his goal, the goal as he understands it. In this sense and in others, Taliq is not your average interviewee nor is this an average interview. You ask something, you ask for an explanation associated with a particular battle, and the man asks you to stop your tape recorder, reaches in and pulls from the cabinet one of dozens of thick files in which is documented in a detailed report every tank belonging to the IDF—or to the enemy—that was ever hit. The reliability, speed and precision with which he finds what he is looking for make you think that he knows intimately and by heart not only every tank that was ever hit in the history of the IDF, but also its registration number and the full names of all the crew members who fought in it.

Taliq brings this same precision and impatience with him to the editor's table and to the interview. He is careful to make sure that his words are properly understood, the way he intended them. He will immediately winnow out any piece of information that is not to his liking with the explicit comment: "That is not for attribution." The fact that he agreed to be interviewed, which is not his custom, is apparently a result of his feeling that he thereby serves the interest of the Armor

Corps in general and its new baby in particular. Whether he likes to be interviewed or not, he will push the Merkava-3. After all, this tank, without a doubt, is the apple of his eye.

[BAMAHANE] I want to begin with the tank being introduced on Independence Day, the Merkava 3. Can you tell us whether this tank is ahead of its time or whether it is right on time?

[Tal] It is not ahead of its time; it is on time. In comparison with the Soviet tanks it is comparable to the relevant modern generations, and in comparison to the West it is the first of this generation for the '90's and, in fact, ushers in the tanks of that generation.

[BAMAHANE] What are the other tanks in the West?

[Tal] The other tanks are the German Leopard, which is to undergo a series of advances and improvements in the '90's and the American M1A1, of which a much more advanced version is to appear, where no decision has been made as yet as to whether it will be based on the present tank or on the design of a new tank. Just as the Merkava-3 is qualitatively different from the Merkava-2 and represents a real difference in substance and not just a difference in degree, so, too, the German Leopard and the American tank of the '90's. They will be substantively different from the tanks of today.

[BAMAHANE] You say that the Merkava-3 is qualitatively different from the Merkava-2 and you stress a difference of kind, not of degree. If the basic tank is still the same and the name remains the same, what is the difference in substance?

[Tal] It is no accident that we call our tanks the Merkava. When we come out with a new generation, we don't give it a new name. This is certainly a matter of continuity resulting from evolutionary development. There is a common denominator to all generations of the Merkava tank, and it is certainly the principle that is the cornerstone of our particular concept of tanks.

[BAMAHANE] Is that particular concept you speak of what caused us to develop a tank in Israel?

[Tal] We have principles that determine when we develop and manufacture something by ourselves and when not. The first guideline is that there is no pride involved; we have no interest in reinventing the wheel. The principles that we established at the time are very simple: vital fighting equipment that we cannot acquire abroad because other countries refuse to supply it, we develop and manufacture in Israel.

Another reason for developing and manufacturing ourselves is the need to gain the advantage of technological surprise; that is, when we don't want people to know we have a certain weapon. A third reason: when we make a particular breakthrough and succeed in developing

something that others don't have. A further reason is economic, when, in terms of added value and dollars saved, it pays to develop and manufacture here.

The source of the conception and birth of the Merkava tank are to be found in the fact the first criterion justified the development and manufacture of the tank in Israel. No country in the world agreed to supply Israel with new tanks while the Arabs were getting them for the asking from the great powers, both in the East and in the West. The straw that broke the camel's back was the well known historical incident of the Chieftains. When the English violated their agreement to give us the new, modern Chieftain, which was ready to go, we decided to develop the tank alone and set up an Israeli tank industry.

[BAMAHANE] Was it also decided then that the Merkava would be the basis for future tanks?

[Tal] When we began the execution phase, it was clear that we could not permit ourselves to operate in the customary Western fashion, i.e., to develop a completely new tank at each generation. It was clear that the State of Israel does not have the resources, and we had doubts as to whether the rich powers were operating wisely on that matter.

We adopted the Soviet system that says develop a basic tank, a platform, and it will serve as the basis for coming generations, i.e., for evolutionary development. Over time it became clear to us that this was not simply a matter of necessity, but is the correct, optimal way. This approach guarantees continuity and constant improvement without stops or jumps. Had we been forced to develop a new tank, the IDF today would find itself today without the Merkava-2 but with the Merkava-1. Although science and technology develop quickly, the way to incorporate the innovations most rapidly is by evolutionary development. That is, we don't develop a new tank, but instead we take the Merkava-1 and put new systems in it. In a certain process, when there is a new system, we begin putting it in the tank. When the new system is not a side or secondary system but a heavy one, we give the tank a new numerical designator.

[BAMAHANE] What distinguishes the Merkava-1 from the Merkava-2?

[Tal] Dozens of differences. But it is called 2 and not simply an improved 1 because from the point of view of mobility we moved it a generation ahead of 1 by adding a new gear box and a much improved fire control system from that of the 1. We also put in new, special armor plate. These three main things justified calling it a new tank, which is why we called it a 2. But when you get right down to it, very many of its systems are systems from the 1.

[BAMAHANE] You mentioned in the beginning that we have a special concept about the operation of tanks. What is this special concept and how does it influence the design of the tank?

[Tal] You have to understand that we are always learning lessons from war and from a statistical breakdown of ballistic hits on the battlefield. We have conducted some of the biggest battles in the history of armored warfare. We have more experience than many others in armored warfare, not just relatively but absolutely.

The Tank Is a Compromise

[Tal] More than 12,000 tanks have taken part in our wars, of which over 4,000 were destroyed. We have measured and examined lots of tanks that were hit. There aren't many armies in the world that have so many models of the statistical outcome on the battlefield. The Arabs might have had. But in most wars and battles the battlefield remained in our hands. When the battlefield stays in your hands, the ballistic finds also stay in your hands.

Thus in the area of armor lessons, we have an invaluable treasure in quantity, in quality, and in diversity.

[BAMAHANE] Up till now you have spoken about the knowledge that we have gathered. All of that has given us a whole lot of experience and a whole lot of knowledge, but how has that influenced our concept?

[Tal] All of those things resulted in our consolidating an original approach to the very concept of the design of tanks. The standard approach, the classical, traditional approach is that the tank is a compromise between firepower, mobility, and shielding. On the basis of our findings we came to the conclusion that that is not correct, not precise. Our conclusion is that a tank is a compromise between just the first two characteristics: firepower and mobility. A tank is built of two components, not three—of firepower and mobility—while shielding is treated as a subsystem. Firepower depends on the cannon, on the number of shells and on the fire-control system. Mobility is dependent on the track and suspension system, on the engine, and on all the other automatic systems; however firepower and mobility are both dependent on shielding.

The shielding provides mobility in that the tank can move on the battlefield under effective fire and is thus more mobile. It provides firepower in that the more effective the shielding, the closer the tank can get to the enemy, so that the prospects of hits and penetrations by its cannon are greater.

Hence the special design lines of the Merkava. A lot of things follow from the centrality of viability and shielding. For example, in the Merkava the man is in the middle and all the rest of the assemblies, parts, and materials are deployed around him. That is to say, when

the man is in the center and the material is around him, he gets double protection: both the steel plates and special armor protects as well as the other parts and materials in the tank, including the engine, which is therefore located in the front of the tank.

[BAMAHANE] As you talk about this, it sounds so trivial. Do you have an explanation why other armies haven't come to the same conclusion?

[Tal] It is not trivial and many armies disagree with us. You are asking if we have discovered the philosophers' stone, why others haven't discovered it. Not everyone agrees that we have discovered it. Everyone has his own theories. Not everyone buys our theory, but the fact is that we put 70 percent of the weight of the tank up front to help shield the crew, as compared to 50 percent in the average tank. The essence of the idea on which the Merkava was founded is common to 1, 2 and 3 and will also apply to 4, 5 and 6, which is why all our tanks are called "Merkava."

[BAMAHANE] I want to go back to the new tank, the 3. You explained why it is a Merkava, but how is it different in substance from the previous tanks?

[Tal] The substantive difference is that in the 3, apart from the gear box, there isn't even one system left over from the 1 and 2. All the systems and assemblies of the tank are new and modern.

What I am saying applies to hundreds of assemblies, parts and systems, but I will mention the principal ones. The engine is different. The engines on 1 and 2 were 900 HP. On the Merkava 3 it is a different engine: 1,200 HP.

The track and suspension system: The Merkava-1 and 2 had the same track and suspension system. On the Merkava-3 it is a new and special one.

The fire control system is modern and different. For well understood reasons, we don't publicize all the details. Suffice it to mention one feature: on the Merkava-1 and 2, the cannon and turret are stabilized to fire while moving. On the Merkava-3 not only the cannon and turret are stabilized, but so, too, is the gunner's line of sight. The sight is inertial and is stabilized both horizontally and vertically.

On the Merkava-1 and 2 there is 105 mm cannon. On the Merkava-3 it is a mighty 120 mm cannon. By the way, all the systems and parts on the tank, all of them without exception apart from the engine, are Israeli-developed and produced.

The Merkava-3 is also innovative. It is the first modular tank in history; all its armor is modular. This is our own idea, and we are ahead of everyone else. The significance

of the modularity is that the tank will always be young; every time new armor is invented and the technology advances, the armor modules are replaced and the tank rejuvenates itself.

If all the new systems, assemblies, and revolutionary performance are not enough to give it new substance, then you can go just with the fact that it is the first modular tank in history. If you ask why it is still the Merkava, the answer is that the approach is evolutionary, especially the idea from which everything is derived and which is common to 1, 2 and 3. That is to say, the shielding is the most important thing and, as a result of that, the man is in the middle with the material around him.

[BAMAHANE] In concluding this part, I would like you to say, regarding those who don't accept this concept, what it is exactly that they don't accept.

[Tal] There are those who reject the engine in front, claiming that it endangers mobility because if the engine is in front, where the tank is more likely to be hit, then the tank will lose mobility.

[BAMAHANE] How do you respond to that?

[Tal] It is incorrect because when the engine is in front, by definition it is under much heavier armor than when the engine is in back. When it is in front, it has to be under heavy armor because you have to defend the tank from the front. All engines in all the world's tanks that are in the back are either not protected or protected by thin armor, because most of the weight is invested in protecting the front and cannot be reduced.

But above all, even were it the case that having the engine in front endangers mobility, it is still more important to protect the life of the crew members.

Tank designers, in the Western world at least, are seriously considering the possibility of shifting to front-wheel-drive tanks.

[BAMAHANE] So much for that. I want to move on to more general things and to talk a little about future battles and the place of armor. When people talk nowadays about a small, smart army, does that tell you something about the place of armor?

[Tal] With regard to the thesis of a small, smart army, I only accept the end and not the beginning. A smart army, yes. If the army is smart, it also knows that it has to be big. That is, you have to be smart to understand that the army has to be big. I don't think that those who talk about a small, smart army mean that it is good for the army to be small. I believe the intent is that it is too bad that we have to be small in size, and we must therefore strive to be big in quality.

When they say a small army, they mean that we are a small country and therefore cannot have a large army.

The Army Under Criticism

[Tal] There are people who also talk about other things.

Anyone who talks about a small army as an objective, as an advantage, as something special, does not know what he is talking about. The point is that it is a small army out of necessity, not that that is an ideal.

We have to squeeze out every bit of quantitative potential we have. We can't permit ourselves the luxury of putting only a part of that quantity on the scales of our existence, our security. We can't permit ourselves the luxury that the Arabs and the Russians and the Chinese and the Americans have—of not extracting every bit of quantitative potential.

Our reality is that the largest army we can field is still too small.

[BAMAHANE] Do you feel that all you said thus far is expressed in defense priorities?

[Tal] There may be a debate today on priorities and precedences. There is legitimate debate on how to invest our limited resources so as to pay back the greatest security dividends, but that is not a debate between those who think we need a small army and those who think we need a large one.

There is no argument that the mobile and armor formations constitute the heart of the Army's power and the decisive force on land. There is no debate about the place of the Air Force as the strategic arm that has to come first; nor is there any debate that after the Air Force comes the Army and only then the Navy. There is debate about the fine balances between them but not about the larger concepts.

[BAMAHANE] That is to say, you still don't see anything replacing armor.

[Tal] No. I would say: not the new divisions, which meanwhile only exist in the imagination, but the real divisions on the ground, the armored divisions, will stop the next wars.

Were the supposition correct that the tank is obsolete, the armies of NATO and the Warsaw pact would not be deployed opposite each other. The divisions that threaten Europe are armored divisions. That is, what threatens Europe in a conventional war is tanks. Anyone who says that tanks are passe is essentially saying that there is no danger and there can be no war in the foreseeable future. But, unfortunately, that is not the case.

In addition I claim that we can already see the future crises. The importance of airborne assault troops, large airborne troop carriers and attack helicopters will continue to grow along with smart, precision weaponry. But it will not grow as something that exists unto itself. By the nature of things, those divisions on the ground will also be important. I am claiming that tank divisions will forever be at the center of the art of warfare, but in the opinion of world experts, the tank will continue to be at the center of the art of warfare well into the first decade of the 21st century.

[BAMAHANE] I want to talk a bit about the situation of the Armor Corps today within the IDF. It seems to me that you are the oldest armorer today in the IDF. Do you feel that there is any lessening in the position of the Corps today in the Army?

[Tal] No, I think other things are happening. Unfortunately the Army today is subject to much greater criticism. If the Army was once the idol of the nation and the people, today cracks have appeared in those walls of general consensus.

One might say that this was a necessary process that began after the Six Day War. Up until then, there was a general consensus among the people and the debate about national goals was not very heated.

After the Six Day War a process of gradual change began in the views of many people toward our national goals: we became a divided nation. Added to that process was the Yom Kippur War, then Lebanon, etc. These debates among the people raged also about methods of action and interim goals, not just about national goals. Then, of course, the supporters and detractors did not limit themselves to a political or social debate, and some of the sparks that flew were about the tool, which is the Army, and not just about the hand that wields it. Thus the lessening in stature occurred for the whole Army and not just the Armor Corps.

The question of defense in general and the Army in particular were suddenly wide open to public discussion, to the point of causing damage. I see a process of self-destruction in the fact that in the name of the right of the public to know, in the name of our right to influence, in the name of the need to oversee and criticize, we have gone too far. It may be that in the past the Army was too closed and protected from criticism. But that doesn't justify the transition to another extreme of unrestrained attacks on the Army and its commanders.

[BAMAHANE] That never happened before?

[Tal] No. There are countries just as democratic as ours where they wouldn't dare, because of the norms of honor and culture and breeding, to use the language of the marketplace in speaking about people who bear a heavy burden of responsibility on their shoulders. This ease with which we preach anything we want—the more, the

merrier—about anyone who bears responsibility, has gone beyond all bounds. The same is true about the Army and those in command; all the dams have been breached.

[BAMAHANE] But maybe the Army has a part in this?

[Tal] I don't say otherwise. Certainly the Army has a part. The "war of the generals" gave the matter great legitimacy. If IDF officers, whether in the regular Army or in the Reserves, can call each other "big zeroes," won't you expect the public to believe them?

Armor—The Decisive Corps

[BAMAHANE] But that happened before, too.

[Tal] It is a process that began with Yom Kippur. When we ourselves are not careful about our self-respect, it is hard to ask others to treat us respectfully. That is one explanation, but not the main one. The main reason is what I said before: the nation is divided, the consensus has been destroyed, there is no unity about our national goals and certainly not about the tool that implements them.

Within this overall situation, the position of the Armor Corps is no better, but also no worse. In response to your question about what I have to say about the fact that lately there has been criticism of the Armor Corps, I have not heard it criticized.

[BAMAHANE] I am not talking about criticism, I mean stigmas on Armor as a "square" corps that are heard within the Army, too.

[Tal] On that I can say that those who think so are fools and the classic enemies of Armor. Between wars there is an inclination on the part of those who have routine jobs or deal with regular security to minimize the Armor establishment and its fighters. But when war comes, Armor buys back its position, and that always happens. In war Armor will always be the linchpin, the decisive corps. This comes about because between wars there is little tank activity and a lot more regular security activity and small-scale tactics and infantry, so people forget that in war the big divisions, the big armored armies are the ones that stop the decisive courses of war.

Another reason is that Armor is a professional corps. A professional corps requires method and discipline. In a professional corps there is a lot less room for dilettantism and demagoguery. In a professional corps what counts is facts. When you deal with method, drills, and concepts of time and space, which are beyond the horizon of the narrow territory of infantry combat, the observer on the sidelines is subject to optical illusions when he looks at everything through his square glasses.

I am in no way deprecating the infantry people. They have conducted many worthy battles and we owe them our existence no less than our pilots and tankers, but I strenuously object to the attempts to pervert the image of armor. It would be more fitting, between wars, to emulate the example of armor rather than spitting into the well of salvation by armor.

The Chief of Staff paid tribute to the special qualities of armor commanders in a radio interview on the eve of Passover. He referred to articles published in the press and expressed his regret over things supposedly attributed to him which leveled criticism precisely in the area of initiative and discipline. In order to set things straight, he said in the interview that there are armor commanders who are characterized most of all by their initiative and that armor combat is fundamentally combat of motion, of initiative on the part of commanders at all ranks. If that is being square, then let us be square!

A day or two prior to that, in another interview in the same context, the Chief of Staff said that armor is the linchpin of the ground forces and of the entire IDF and that it has some of the very best commanders we possess, whose openness, independence and initiative are perhaps the dominant component in the way they function.

[BAMAHANE] The Chief of Staff also said in that same radio interview that he is perhaps the only transferee to move from the paratroops to armor who still wears his black helmet, of which he is proud. Is it important for the corps to have senior officers with the black helmet?

[Tal] The Chief of Staff has expressed his pride at being part of armor. He commanded a tank brigade in the Yom Kippur War, and his brigade is considered one of the armored brigades that saved the people of Israel on Yom Kippur. He has something to be proud of and I am happy that he is proud of it. The Chief of Staff therefore knows better than many others what armor is all about, and he also knows what special qualities characterize armor commanders. I feel that what he said on the radio speaks for itself.

From time to time it is true, as you say, that transferred armor commanders appear who, unfortunately, are not transferred to the best advantage, who have not comprehended the issue. Even if they have commanded an armored formation and walk around with a black helmet, they are not considered armorers, not by me nor by any true tanker or armorer. It is not enough to wear the black helmet. A commander of an armored formation said in an interview that you didn't publish in BAMA-HANE that he did not like the centralization in armor. That commander did not grasp the essence of the matter, he does not understand that it has to do with a disciplined war machine. Anyone who delays, anyone who doesn't see the broad horizons of initiative and freedom of action beyond the centralization, anyone who does not understand that this centralization allows the fighter to control the machine so that it is like clay in the potter's

hand and thereby reins in its power to serve him—anyone who doesn't understand all that is not an armor commander even if he wears a hundred black helmets.

[BAMAHANE] If that is true I want to ask you why there have to be so many transfers. If Armor is discipline and if it is such a professional corps, why can't it raise its own commanders at all levels, even the senior levels?

[Tal] First of all, Armor can and Armor does raise excellent officers within the IDF.

[BAMAHANE] If it were up to you, would you recommend doing away with the transfer of infantry people into Armor?

[Tal] The question is not stated properly. You would do better to ask me why the stream of infantry people into Armor is continuing and if that is healthy, and I would answer you.

First of all those transfers are done not because Armor has no good candidates. Those transfers are carried out because of the need to create interdisciplinary awareness and capabilities within the IDF. It is important to mix infantrymen and armorers on condition that it is done in the proper measure. If it is done beyond the proper measure, it will weaken Armor and the IDF. I think that we should not overdo transfers. At the right level, certainly. Overdoing it, certainly not.

[BAMAHANE] Is it being overdone today?

[Tal] Here and there it is being overdone, but not in all cases. But we have to be careful of that. As a rule I would insist that armor formation commanders come from within the ranks of armor itself. I would want to see task force commanders who had previously commanded tank brigades and brigade commanders who had previously commanded tank battalions, etc. Certainly I would want to see the right measure.

[BAMAHANE] Early you touched on discipline. Do you feel that the Army today is less disciplined than in the past?

[Tal] I am not prepared to make a comparison with the past for a simple reason: in the past the status of the Army was different. Army people, at all ranks, acted within an atmosphere of love and empathy. The nation, the public, the media—loved the Army, and it is much easier to function in that kind of circumstance.

Today's comrades in arms function in unprecedentedly difficult circumstances, both in terms of the attitude of the public and the media and in terms of the criticism that we spoke of earlier. Today they function in a much more difficult reality than I or my comrades in arms had to deal with, and I can only salute them for that. Today's commanders operate with impossible missions and ingratitude. We never had to operate in the reality of the

intifadah [uprising]; we only dealt with external enemies. They face missions and tasks that we never faced; therefore I am not in a superior position that gives me the right to judge them or criticize them. I can only praise them and salute them for the perseverance and loyalty with which they do their best under these circumstances to discharge their duty and pull the chestnuts out of the fire for all of us.

Rafa'el Eytan Interviewed on PLO, IDF, Settlers
44040399 Jerusalem AL-BAYADIR AL-SIYASI
in Arabic 24 Apr 89 p 24

[Interview With Rafa'el Eytan, ex-IDF Chief of Staff and Knesset Member From Tzomet Party; Date, Place not Given; "Exclusive Interview With Knesset Member From Tzomet Party; Rafa'el Eytan, ex-Israeli Army Chief of Staff; Intifadah Will Continue 200 Years in Presence of This Government; Arabs Must Be Treated as Hostile Minority; I Agree to Negotiations With PLO on Jordan"; first two paragraphs are AL-BAYADIR AL-SIYASI introduction]

[Text] Rafa'el Eytan, a Knesset member from the Tzomet Party, stands right of the political segment in Israel. He is the same individual who held the position of the Israeli army chief of staff when this army invaded Lebanon in 1982.

After ending his army service, Eytan formed a party, calling it Tzomet. He joined the Tehya Party in a unified list with which they waged the previous Knesset elections. A year ago, he broke his partnership with Tehya and waged the latest elections with an independent list, winning two seats in the Knesset.

[AL-BAYADIR AL-SIYASI] Knesset Member Rafa'el Eytan, how do you see the solution to the intifadah [uprising]. Is there a military solution and, in your opinion, till when will the intifadah continue?

[Eytan] The only solution to the intifadah is military force and collective punishment. As I see it, if this government stays, the intifadah will last 200 years.

[AL-BAYADIR AL-SIYASI] When you held the post of the Israeli army chief of staff, did you expect the intifadah to erupt one day?

[Eytan] There was absolutely no such expectation because the Arabs did not even have the courage to think of such a thing.

[AL-BAYADIR AL-SIYASI] Let us assume that you are the chief of staff today, what steps would you take to confront the intifadah?

[Eytan] If I were so today, the intifadah would not have started. I would have dumped the difficulties emanating from the intifadah on the Arabs and would have, at the

same time, worked to resume the settlement activity, would have expelled the "instigators" and would have, moreover, escalated the economic pressures.

[AL-BAYADIR AL-SIYASI] You would not have employed force and collective killing to extinguish the intifadah, as you said in your answer to the first question?

[Eytan] I would not have involved the army and I would not have employed force for mass killing. There is no need whatsoever to open fire on children.

[AL-BAYADIR AL-SIYASI] What is your position on the latest political movements, especially on the plan Prime Minister Yitzhak Shamir has presented to the United States?

[Eytan] I don't know the plan Shamir has offered. If you are asking me about my position, it is compatible with [the theory that] all the land is Israel's and that it belongs to the Jewish people. The Arabs are a minority, a hostile minority, and we must treat them accordingly.

When they speak of elections in the bank and the strip, we must remember that all the citizens there are Jordanian citizens. The elections can produce no benefit because Jordanian citizens can elect the mayor of Nablus exactly as they elect a mayor in Jordan because they are Jordanian citizens.

[AL-BAYADIR AL-SIYASI] This means that the land is Jordanian. What do you say?

[Eytan] The land is Israeli and the citizens are Jordanian. After the 1948 war, a situation previously unexpected by anybody was created. This situation is that the Arabs in Israel were divided into four groups: Israelis, Jordanians, Gazans, and Refugees. When the rest of Israel's land was occupied in 1967, only the land was occupied. We did not transform the non-Israeli Arabs into Israelis. The land is Israeli but the inhabitants are not.

[AL-BAYADIR AL-SIYASI] They are talking nowadays of U.S.-mediated indirect negotiations between Israel and the PLO. What is your position on such negotiations?

[Eytan] I agree to holding negotiations with the PLO on Jordan. It does not concern me if Jordan is turned into a Palestinian state for the PLO. Let those who want to live in the Palestinian state go there.

[AL-BAYADIR AL-SIYASI] Knesset Member Rafa'el Eytan, if we forget that the Arabs are your enemy, how would you, as a human being, view them and treat them?

[Eytan] In my view, the Arabs are human beings like all other human beings. They are citizens living on Israel's land. We cannot disregard this fact. I treat them the same way they treat me.

[AL-BAYADIR AL-SIYASI] Do you think that the left-ist Knesset members who met with PLO figures have violated the law?

[Eytan] If they have violated the law, they must be referred to the courts. But I don't personally know if they have violated the law.

[AL-BAYADIR AL-SIYASI] So Israel will not return the occupied territories. Do you have a program to overcome the demographic problem?

[Eytan] In my opinion, the demographic problem will persist and will worsen even if the territories are returned. The Jews must not fear the demographic problem.

Immigration to Israel must be encouraged, efforts must be made to increase natural reproduction, and people must be enlightened to reduce the rate of emigration from Israel. Arabs must also be prevented from controlling state-owned land for building their homes.

[AL-BAYADIR AL-SIYASI] What is your opinion of the settlers provocations against Arabs in the territories?

[Eytan] There is no need for the army. In my opinion, if an Arab attacks a settler, then another settler must shoot this Arab in the head.

[AL-BAYADIR AL-SIYASI] Do you think that the settlers should replace the army?

[Eytan] The army is not present everywhere. Therefore, the settlers must defend themselves. If necessary, they should enter the Arab villages that attack them.

Eilat Anticipates Expansion of Industrial Exports
44230077 Tel Aviv HA'ARETZ in Hebrew
2 Mar 89 p 15

[Article by Avi Genauer: "At the Free Port of Eilat They are Waiting for the Chinese"]

[Text] The "Af'ar" plant, which manufactures rags and moist towelettes in Tiberias, will open a new production line 2 months from now in Eilat. The new line, which will account for about 50 percent of the plant's manufacturing capability, will be situated in the new industrial area being readied now at the approach to the city, directly opposite the airport. "The free port industrial area and hi-tech industrial park," will occupy a fenced in area of 117 dunams. Those plants that locate in the area, and meet the requisite criteria, will enjoy exclusive benefits.

Eilat today is reaping the advantages of three laws which, together, give her a real edge in attracting plants whose major products are made for export: the Development Area A+ law, the Free Trade Area law and the Free Trade Port law.

Israel's industrial barons are well aware of the advantages that accrue to activity in the various development areas and in Eilat's free trade area. However only a few are aware of the fact that there have been several free port areas in Israel for the last 20 years that went unexploited. The free port area law of 1969 says: "The government may establish a free port within the limits of each port area, to be operated under the supervision of the port administration within whose territory it is set up."

That is to say, under the supervision of the port authority. The same law says that within the prescribed area no taxes will be levied on goods imported from abroad or manufactured within it or exported from it. Thus, the groups that operate there can make free use of foreign currency, all the while that imports and exports to and from the free port area are entirely free of import or export licenses and duties.

Yuval 'Or, special assistant to the mayor of Eilat, explains that, in fact, according to that same law, there are three free port areas in Israel: in Eilat, in Haifa and in Ashdod. But those areas were not exploited by local industry because the port authority, flush with money, takes no interest in industry. The one company that attempted to implement the advantages of the free port area was actually "Koor," which tried in the late 1970's to set up a "Degel Shmanim" plant in the free port area in Eilat. The initiative, which was less than successful, did not influence other plants to go into the free port area of Eilat. In fact, even if they had wanted to, they would run into problems of space allocation since the free port area within the port of Eilat was limited with no way to expand.

In 1985, after the agreement was signed on the free trade area in Eilat, the city's mayor, Rafi Hochman, managed to persuade the treasury and customs authorities to tie the three laws together, since the major problem was how to remove the free port area from the jurisdiction of the port authority and how to expand it to include special territory assigned for that purpose, outside the port area.

Moshe Nissim's Treasury Ministry was not particularly warm to the idea, and especially not to the integrated benefits that it would promise investors. But that fact did not prevent Hochman from continuing to develop the area. The change in personnel at the Ministry has since given the idea a boost, and the first plot of 117 dunams, declared a free trade port area, is now in the final stages of infrastructure completion and awaiting the first plants to be set up there.

Treasury Minister Shim'on Peres, who toured the place two weeks ago, promised his full support in establishing the area.

At this stage three plants have announced their intention to begin manufacturing in the free port area within the next few months: the Af'ar plant, the Yoro plants, which

manufactures eyeglass frames and the 'Atat plant, which manufactures the new Israeli device for improving the action of brake lights in cars.

The "free port industrial area" in Eilat will enable plants that produce at least 51 percent of their output for export, to enjoy the advantages of three worlds: to gain the status of "Certified Plant," which means it can acquire development loans and grants at the highest level. This privilege is due to Eilat's status as an A+ development area. (Today there are no more development loans. Only grants can be acquired, up to 39.2 percent of the investment).

A second advantage results from activity in the free trade area; and the third advantage, which ties together all the preceding advantages, results from activity within the limits of the free port area. For example, investors will enjoy exemption from income and corporate tax for a period of 7 years, starting from the first year the plant produced income subject to tax. After that period, the plant would be required to pay corporate tax at a rate of just 25 percent and would still be exempt from income tax.

Plant owners who draw dividends would be required to pay tax at a rate of just 15 percent and would be entirely exempt from import or export duties on raw materials to the free port area. Likewise investors would be exempt from capital gains tax (in the case of investments from abroad in foreign currency), from capital gains taxes on inflationary profit and from the payment of purchase tax on property. Furthermore the investors would be exempt from the payment of municipal taxes for a period of 2 years from the day of the plant's establishment and can make free use of foreign currency within the limited confines of the free port area. Plant workers, too, in the free port area (and in the other parts of Eilat) will enjoy a tax credit of 10 percent of their monthly salaries and exemption from the added value tax on all services, housing and consumer goods sold in Eilat.

Ephra'im Lahav, the owner and general manager of the Afar Corporation for the manufacture of moist tow-elettes, explains the reasons for moving the plant's production line from Tiberias to Eilat: "First of all, we really had to expand the business. A considerable portion of our production goes to the Far East, and our manufacturing costs for these customers are cheaper in Eilat; first, because of the savings in transportation costs, and, second, because decreed a free port area is, apparently, outside the country's borders.

That fact means that we will have less red tape to deal with in our contacts with the authorities and will enjoy significant customs advantages."

Lahav stresses the conditions proffered today to investors in Eilat: "When you check out all the components together and stack up all the benefits that you can get in Eilat as opposed to the costs involved in dealing with the system in Tiberias, it is clearly to your advantage to invest in Eilat."

In his office in the municipal building, mayor Rafi Hochman explains that the free port industrial area is intended especially for sophisticated plants with a high salary component, where a significant portion of the output is intended for export. "Formerly," he notes, "when I wanted to bring in investors, I would hear stories about the weather, about the high transport costs and about the cost of living, which deterred a lot people. Today the situation is becoming just the opposite; the industrial park being set up in the free port area constitutes a source of attraction for many interested plants that are trying to get in on this and enjoy the proffered advantages."

Uzi Tzvevner, general manager of Eilat's Economic Corporation, discusses the advantages inherent in the development of an extraDterritorial industrial area in which one can trade openly in foreign currency and carry out deals as if they were outside the borders of the State of Israel.

"The intent is to expand the law that today covers only industry to include other areas of international commerce," he says. "The area in which we will be able to operate international financial services and banking centers can put Eilat on the map and give her the status of a Singapore or a Hong Kong."

Many of Eilat's residents work at various levels of the tourist and service industries, which gives them low self esteem. "Our natural resources are tourism and the weather, but we need to diversify the sources of employment in the city and not be drawn into the overDconstruction of hotels and restaurants. For that reason the city fathers decided to do all they can to encourage industry in the town. They are trying to attract industries for which it would really pay to operate here."

"We are looking eastward, in the direction of the Far East," says Hochman, "because Eilat's particular location and the free trade agreements that Israel has signed with the United States and countries of the Common Market will allow us to serve as a bridge for merchandise from the Far East to the West."

In fact Hochman hopes that manufacturers in countries of the Far East, especially textile and electronic manufacturers, who today face a heavy wall of duties in the United States and Europe, will send unfinished products to Israel, where they will undergo the final step in their preparation for an added value tax of 35 percent, which will allow them to be sent to their final destination in the West enjoying the same duty advantages that Israel enjoys.

"The Japanese are already looking around here," Hochman says and reveals that "recently groups have arrived looking into the possibility of establishing a plant in Eilat for the assembly of Chinese automobiles with American brand names. These cars are intended for export to the West."

"Eilat has a demographic problem," the mayor stresses repeatedly. For instance, he tells the following story: "When the Timna' mine was dismantled and 34 engineers left town, it turned out that a couple of dozen teachers, their wives, left with them." Alongside every man involved in industry or research, it is reasonable to suppose that you will find a wife who is an academic or a teacher, and it is his intention to allow anyone who lives in Eilat to find alternative sources of employment, not just in tourism.

"Unemployment in the city," he explains, "is relatively low since anyone who does not have work here simply picks up and goes north."

This, then, is the situation, at least until the Chinese arrive.

Druze Reservists Describe Service in Territories

44230078 Tel Aviv HA'ARETZ in Hebrew
13 Mar 89 p 17

[Article by Nurit Kahane: "I Don't Want to Prove Loyalty to Israel by Hating Palestinians"]

[Text] Druzes serving in the territories: "When I arrive at the place of reserve duty, in the heart of a Palestinian population, I am afraid that they'll know that I'm a Druze, because then I'm perceived among the population as having a brutal image. When we enter a house in the course of carrying out a mission, and the woman utters a word of pain—a Jew won't pay attention to her. I know these words from my mother and grandmother. Go hear them and remain indifferent."

"Who is going to talk to you about service in the territories?" That is the common response to whoever tries to follow the mood on this subject in the Druze community. During the Lebanon war, when communal conflicts with operational implications were created among Druze IDF (Israel Defense Forces) soldiers, it was possible to learn more about their special status as minority soldiers who are faced with compulsory service in the security forces. However, lone voices are being heard lately from out of the continuing silence—that has actually gone on for 20 years—on the subject of service of the Druze soldiers in the territories. The Druze Initiative Committee, an extreme oppositionist minority group, acted occasionally to send food to the territories. The problem of the service of the Druze reached the headlines when, following brutal behavior of the Border Guards in the Balata camp, there was an appeal by representatives of its inhabitants to the faction of Shaykh Amin Tarif.

Riyad Husisi, 35, of Daliyat el Karmil, who served as a reserve officer for 7 years in the Gaza Strip, says that he does not speak about "high politics". He candidly expresses sorrow about his service, without this fact changing his primary obligation in his order of priorities—the fulfillment of his obligations as a senior officer

there. "I am not happy to arrive there. I fought in the Yom Kippur War, and it was easier to face combat soldiers than to serve in the reserves on police duty in the territories."

He says that in the course of his service he confronts human tragedies whose memory will stay with him the rest of his life. "After every reserve tour of duty, several months pass until I am free of this reality of struggle with a population and bursting into homes," says Riyad. "When you enter a home in the course of carrying out a mission, and the woman utters a word of pain—a Jew won't pay attention to it. I know those words from my mother and grandmother. Go hear it and remain indifferent. Sometimes it's a gesture, and an Israeli doesn't understand when the father slaps [himself] on the knees or claps his hands in sorrow."

Riyad is married, the father of three, an economics graduate of the University of Haifa and an employee of Bank Leumi who has completed a management course. He says that duty in the territories arouses problematic anxieties for his wife and the rest of his family, more than in a Jewish family. When he goes to the reserves, he says that he understands better the significance of the events there, the conflicts with the local population, the words and the unfinished sentences. His family have a link with that mentality, he says, and they grasp the full significance of the penetration of IDF soldiers into homes.

Riyad illustrates the involvement of the Druze family in the events in the territories with reactions to the death of the soldier Beni Meisler. Regarding the pain of the soldier's family they responded: "The murderers' house must be destroyed," along with identification and sorrow over the pain of the Palestinian family whose home was blown up.

Riyad considers the television picture a few months ago of the unit of Druze soldiers that "arrived to put things in order" as the height of the process of developing the negative image of the Druze IDF soldiers on duty in the territories. "When I arrive at the place of reserve duty, in the heart of a Palestinian population, I fear that they'll know I'm a Druze, because when I am identified as such—I am perceived by the population as having a brutal image," he says.

"The fact is that I identify with this people, and understand their pains. I want to love both them and the state. I don't have to prove [my] loyalty to the State of Israel by hating them."

In his opinion, someone intentionally created "the image of the cruel, brutal Druze, devoid of feeling, hater of Arabs, based either on the guilt feelings of the Jewish majority, which projects the characteristic of cruelty on the minorities for convenience, or on events in the field,

which were more noticeable because a defined minority was involved. "What are you, after all? Two percent of the population? And you are hit with all of its frustrations," he says.

According to him, the Palestinian population in the territories expects that the Druze soldier will be more understanding. The problem of brutality does not exist, according to him, under a shower of stones during a head-on confrontation with the population. The problem arises when there is no need to go into action, when it's quiet.

He believes that the framework of service in the Druze units, whose soldiers are chosen according to their ethnic identity, is unfair to the soldiers. "This is the greatest distortion. All of our problems with service in the territories stems from this." In his opinion, the grouping of men within the framework of the army on an ethnic basis destroys the character of the naturally authoritative structure, causes great disparities between the men on the military operational level, and hinders the soldiers with prior obligations that are foreign to impersonal judgement. He says that Druze soldiers among themselves are more critical of the use of force, but will refrain from getting into conflicts with their comrades in the army over their treatment of the population. In addition, an ordinary demonstration may be regarded by them as a personal scuffle, when one of the demonstrators curses his mother or a member of his family. "It's much more difficult for me than for a Jewish soldier when I'm serving in an ethnic framework. During the Lebanese war this arose even more sharply, and during the review session [held after all IDF manoeuvres and actions] I proposed the disbanding of the unit," Riyad says.

He argues that in the field, where many Druze soldiers serve under his command, there is no difference between their behavior and that of the Jewish soldiers. "I have to prove to the entire country that I am not cruel. I understand the language of the Palestinian people, I feel in some part of me that I am part of it and I understand its mentality."

When he serves in the territories he continues to carry out his assignments despite his pain: "I believe that our presence there is positive. When I am in the territories, I function with the maximum decency to the extent that the law permits me; I see just how weak the other side is," he stresses. He says that a protest movement within the Druze community against service in the territories is not possible today because it would be liable to impair their loyalty to the state and the fulfilment of their military obligation.

Khuriyah Bayran, the mother of four sons and two daughters, who lives in Daliyat el Karmil, is active in the women's movement "Bridge to Peace" and is a leader in Na'amat [Histadrut women's organization]. Two of her sons served in the territories both on regular and on reserve duty, even at this moment, and one son is soon to

be drafted. "When one of the boys receives a call to reserve duty, I don't sleep for a week. I am very worried, and only our faith in destiny upholds me," says Khuriyah. "Woe is me if I see you on television going into the alleys," she said to one of the boys before his departure to the reserves. During the first week of the present reserve tour of duty of one of the boys, she refused to listen to the news. "I don't want the heartache. I didn't want to see what's happening in the territories," she says. She is completely opposed to the destruction of houses and to the removal of women and children on short notice, without food and clothing, and she is ashamed to view such an action on the television.

When the second son called [home] from the reserves, she said to him: "You are forbidden to hitch rides. Change from your uniform into civilian clothes." She also requested: "Don't hesitate—do as many favors as you can." The sons don't tell a lot about duty in the territories, because they know how worried she is. In one instance, when her son told her about carrying out an assignment of bursting into the home of Palestinians at two in the morning, she asked him: "Did you remember your brother at the same time?" He answered: "Yes, but what could be done?" She says that the Druze boys are not happy about carrying out police assignments in the territories, but they won't say it.

The Druze poet Nazih Khayr, who does reserve duty in the territories, says that for him the problem of the occupation is the basic one. What occurs as a result of it is "part of the game". He says that the service of the Druze soldiers in the territories expresses the continuation of their problem within the Green Line. "The [reserve] duty sharpens the struggle of the Druze for civil rights, because in the territories they are more exposed to their own lack of rights. Military service is a supreme value—but because the community hasn't been taken seriously for 40 years, it is legitimate to strike at this "Holy of Holies" of [reserve] duty. Refusal to serve is not a means of struggle against the occupation," he says. In order to restrain the rise of the right and of Gush Emmunim, the forces that oppose the occupation must remain within the law. A demand to uphold the disregarded law in the territories cannot be made through refusal to serve in accordance with the law. He says that those who refuse to serve contribute to the recurrence of the unjust acts, because they relinquish the field to the extreme right-wing soldiers.

"If there are brutal acts by Druze and Jewish soldiers—that is a direct result of friction with a civilian population. I don't think that either the Israeli army or we are characterized by brutality," Khayr says. He says that he has encountered the phenomenon of Jewish soldiers who masqueraded as Druzes in their contacts with the Arab population. "That some idiots do that is not so bad," he says, "but when the military governor of Nablus entered the Balata camp following that act and threatened the residents that he'd bring in a Druze unit, a large delegation of them appealed to Shaykh Tarif. That is unacceptable."

Sami Halabi, 40 years old, of Daliyat el Karmil, who is married and the father of five, serves beyond the Green Line as a company commander. In civilian life he holds a responsible position in the Ministry of Housing in Haifa. He holds a B.A. in Middle East Studies.

"Anyone who runs after an 11-year-old child is committing an improper action in my opinion—and I, too, have done it," says Halabi. He says that improper acts by Druze soldiers should be tried, but not on television. The question why the Druze soldiers endanger themselves is often asked. His answer is that [their] service in the IDF is [undertaken] out of concern for the survival of the Druze community. The Druze are afraid of living in a state where chaos reigns, like Lebanon, where the community lacks the security that it enjoys in Israel.

Halabi regards refusal to serve in the territories as a deviant phenomenon in Israel society. In his opinion, as long as extreme leftist influence doesn't reach the Druze, they will not be drawn into a similar phenomenon. He says that the State of Israel erred by not creating a positive image for the Druze as a bridge to the Palestinian population and by not using propagandists from the Druze intelligentsia, and that it contributed to their negative image. He says that the problem is rooted in the serious split between the Arab world and the Druze. Had the approach of the Israel authorities been different, the Druze could have filled an important role.

"Instead of converting our neutrality into an asset, we stand today, as it were, in a united front with the conquering Jewish soldiers," he says. "But even without an awareness of the potential of the Druze community in contacts with the Palestinian population, the Druze are filling a very important role by serving in the territories. It is a mistake that they have not yet been given equal rights within the Green Line. The result is that they serve outside of it with feelings of discrimination.

OMAN

Statistics of Trade With GCC States Reported

44040401e Muscat *UMAN in Arabic* 20 Mar 89 p 3

[Article by Haydar ibn 'Abd Al-Ridah: "Sultanate's Volume of Trade With GCC States Totals 169.6 Million Riyals in Past Nine Months"]

[Text] The sultanate's volume of trade with members of the Gulf Cooperation Council [GCC] amounted to 169.592 million Omani riyals in the [first] nine months of last year. Omani re-exports and non-oil exports to GCC states totalled 61.471 million riyals, while imports from GCC states in the same period were valued at 108.121 million riyals, according to the Development Council's quarterly bulletin of foreign trade statistics.

The balance of trade figures favor other GCC members particularly the UAE [United Arab Emirates], with whom the volume of trade amounted to 149.644 million

Omani riyals in the first nine months of last year. Omani exports to the UAE during the same period totalled 52.094 million riyals against imports valued at 97.550 million riyals.

The volume of trade with Saudi Arabia during the past nine months was calculated at 11.816 million riyals. Omani exports to the kingdom were valued at 4.4841 million riyals against imports of 6.975 million riyals, leaving a balance in favor of Saudi Arabia.

Trade with Bahrain was valued at 2.758 million during the same period. Omani exports amounted to 1.298 million riyals against imports of 1.470 million riyals, leaving a balance favoring Bahrain.

However, the balance of trade with Kuwait and Qatar was in favor of Oman. Trade with Kuwait during the same statistical period amounted to 3.548 million riyals comprising 2.050 million riyals in exports and 1.498 million riyals in imports.

Trade with Qatar was calculated during the same period at 1.871 million riyals of which Omani exports accounted for 1.233 million riyals against imports of 638,000 riyals.

The Development Council's figures show that the UAE was the sultanate's largest GCC trading partner, followed by Saudi Arabia then Kuwait, Bahrain, and Qatar. Oman's trade deficit with other GCC states widened to 46.650 million riyals in the past nine months.

Worth noting is that the sultanate's volume of trade with GCC states in 1987 amounted to 231.174 million riyals of which Omani exports accounted for 66.487 million riyals against imports of 164.687 million riyals, leaving a trade balance of 98.200 million riyals in favor of GCC partners.

Avenues for Joint Ventures With Taiwan Explored

44000546a Muscat *TIMES OF OMAN*
in English 8 Jun 89 p 20

[Text] An eight-member trade delegation from Taiwan on a visit to Muscat last week held "successful discussions with private Omani businessmen and officials on the setting up of joint ventures" in the Sultanate.

Mr. Chih-Hsiang Lee, Representative of the Far East Trade Service in Muscat, told the "TIMES OF OMAN" that though no business deals have been clinched as yet, during the talks the two sides explored avenues for joint ventures.

The "exchange of views" on how best trade relations between the two countries could be promoted proved successful, Mr. Lee added.

Ties

The delegation, led by Mr. Ronie H.K. Huang, Deputy Secretary General of Taiwan's External Trade Development Council, called on the Oman Chamber of Commerce and Industry President, Mr. Maqbul 'Ali Sultan and its board members. The chamber also arranged a meeting of the visitors with local Omani businessmen.

During their discussion with officials and businessmen the visiting delegates explored the various possibilities of improving trade and economic ties between the two countries.

Textiles

Among the products being promoted by the Taiwan trade mission were textiles and garments, medical supplies, automobile spare parts and accessories.

The delegation concluded its four-day visit on Friday.

Licenses for Industrial Projects Issued

44000546b Muscat *TIMES OF OMAN*
in English 8 Jun 89 p 20

[Excerpt] During the period between May 27 and June 1 the Directorate General of Commerce and Industry issued licences for industrial projects, the investment value of which exceeds half a million rials.

The most important of these projects is the one for the manufacture of large-sized rubber tyres at the Rusayl Industrial Estate.

The investment cost of the project, according to the economic feasibility report, will be OR 500,000.

The project will be the first of its kind in the Sultanate.

The other projects are: wooden works in Birka' and Ma'abilah, As Sib.

The investment costs of these two projects were: OR 14,300 and OR 10,300 respectively.

The steel works project, licenced for Ar Rustaq will be set up at an investment cost of OR 5,440.

Impending measures have been announced to stimulate the nation's economy, including the establishment of industrial estates at Salalah, Suhar, Nizwa and Sur.

Preparatory action has been initiated for setting up the estate at Suhar. More than 30 operational units are already there on the Rusayl Industrial Estate and dozens more are projected.

The 6,000 tonne production capacity aluminium plant which opened two years ago, is manufacturing high quality goods to international standards.

There are several establishments producing air conditioners, tea-packaging, radiators and tyre retreading. A wire and repair plant, a tiles factory and a marble factory are in full operation. [passage omitted]

Water Resources Development Projects Discussed

44040403c Muscat *UMAN in Arabic* 3 Apr 89 p 5

[Article: "Al-Batinah Suffers Salinity Because of Overuse of Artesian Water"]

[Excerpts] There has been a great increase in water consumption in the Muscat region. Consumption has grown more than 18-fold in 10 years.

In al-Batinah region, the soil is becoming saline because of overuse of artesian water and because of encroachment by the sea.

Certain wells and small streams in the interior regions are suffering the effects of overconsumption of water.

Experts say that there are fine water reserves but they must be tapped with caution. Citizens dig several wells in the same farm when one should be sufficient, which leads to drawing off the water without properly utilizing it.

A royal decree was issued a few days ago creating an authority for water resources entrusted with implementation of the national plan to protect water resources inasmuch as they are part of the national wealth. [passage omitted]

Water consumption has surged in the Muscat region as a result of the capital's boom in urbanization and construction and of the development of several new neighborhoods and suburbs.

Muscat has three main sources of water: desalination plants, the artesian wells of Wadi 'Udayy, and the western well fields.

Desalinated water supplies nearly 80 percent of Muscat's water needs. The Wadi 'Udayy and the western wells supply the remaining 20 percent.

Wells become the main source of water when desalination units at al-Ghabrah undergo maintenance, causing heavy draw on them.

All past preliminary studies indicate that greater Muscat is experiencing a continuing frightening surge in water consumption. Statistics reveal this development and underline the immediate need to halt this shocking depletion of our most valuable resource, not to mention the heavy expenses borne by the government to provide desalinated water.

Artesian wells are liable to go dry should consumption remain at the current levels. Replenishment by occasional rain water is minute compared to the level of consumption.

In addition, the economic cost of sea water desalination is exorbitant. We have no other course but to exert pressure for conservation, as well as to make plans to educate and raise the awareness of citizens to halt wasteful water consumption. Statistics reveal that water consumption in Muscat was 1.9 million cubic meters in 1976. This rose to 19.4 million cubic meters in 1983, to 28.9 million cubic feet in 1985, and again to 34.2 million cubic meters in 1986. Water consumption exceeded 40 million cubic meters in 1987.

The al-Batinah region is suffering increasing salination that is causing great harm to farming soil in this region that once was considered one of the most fertile and productive farm areas.

Increased salination resulted from the overuse and indiscriminate tapping of artesian wells, in addition to the increase in the number of wells in the region, which has caused sea water to replace potable water drawn from underground reservoirs. Farm soil in the region is losing vitality and suitability as the condition festers. Farmers have begun to suffer decreased production. Some have even deserted their land and stopped farming it.

The problem is compounded by the fact that most farmers in the interior regions near the al-Hajar mountains, where underground water reserves are concentrated, have been increasing the depths of their wells and raising their water consumption, depleting underground water at the al-Batinah coast and causing the salination phenomenon.

The decision to establish a water resources authority crowns the wise government's efforts in this respect. It was preceded by directives from His Majesty Sultan Qabus considering water reserves a national resource. Those directives had a great impact on the citizens and caused them to be increasingly aware of their duty to protect this precious resource.

The ministry of environment and water resources had conducted several studies with that noble objective in mind, which is to conserve this wealth that is closely tied to the future of our country. Likewise, the Ministry of Agriculture and Fisheries made efforts to protect water resources and built a number of dams to increase underground water reserves.

If efforts to increase awareness of water resources were valuable in informing citizens of their duties, they will no doubt be even more motivated by the existence on the highest level of a national committee that makes plans to explain the wise government's efforts to develop and conserve water resources. Getting citizens involved in the rationalized use of water resources will no doubt help

with those efforts. All experiments have proven that citizen support of government efforts is the safety valve for the success of any national plan to serve the citizens and assure their future.

Diversification of sources of income in the country is one of the objectives of the ambitious development plans inspired by the sharp insights of His Majesty Sultan Qabus who places a great deal of importance on the country's agricultural and industrial development in order to lessen dependence on oil as the only source of national income. His Majesty has also emphasized the importance of achieving agricultural self-sufficiency.

These noble objectives must be translated into researched and planned empirical programs that assure our continuity and existence.

Yes, we want comprehensive agricultural development in order to realize our goal of self-sufficiency. But we want at the same time to conserve water, which is the most precious resource bestowed by God on our country. Many countries have built their hopes on underground water as the primary basis for farm expansion only to have these hopes dashed by painful reality. A great deal of caution and study are needed before artesian water can be tapped as a major source of irrigation and farming.

Underground reservoirs have developed over long centuries and their annual replenishment rate is very small. When water outtake exceeds the inflow, underground reservoirs will be depleted over a very short period of time, causing great distress.

The method of exploiting underground water is the determining factor in the success of farm expansion programs. A study comparing actual crop water needs with current usage will clearly reveal that farmers tend to over-water.

Scarcity is one water problem but contamination is another serious threat to our water resources. Contamination is without doubt an urgent problem for many countries of the world. The problem is even more threatening in our country because our water resources are limited and must be protected against contamination especially that impurities and contaminants become more concentrated as the volume of water decreases.

There is no doubt that industrial development in our country must be accompanied with scientific methods of properly treating and discharging contaminated water. Urban growth and construction development in all Omani villages and cities have caused an increase in the volume of refuse that is ordinarily disposed of by burial. Care must be exercised in selecting those disposal sites.

QATAR

Royal Decree Issued on Supreme Planning Council

44000550 Doha GULF TIMES in English
11 May 89 pp 1, 3

[Text] His Highness the Amir Shaykh Khalifah Ibn-Hamad Al Thani yesterday issued the Amiri Decree Number 4 for the year 1989 on establishment of the Supreme Council for Planning, under the chairmanship of His Highness the Heir Apparent Shaykh Hamad Ibn-Khalifah al Thani.

The council is to have a legal independent status and a special budget to be attached to the state budget.

According to the decree, the council will prepare the state's economic and social plans and policies in accordance with the main principles guiding the state policy which are included in the basic system of the rule. It will also follow up implementation of those policies and plans after they have been endorsed by the Cabinet.

The council is to shoulder the following responsibilities:

- Propose economic and social policies and others defining the Qatari society's character and its future aspirations.
- Propose development targets in various economic and social fields as well as other fields in order to achieve the ideal exploitation of human and natural resources.
- Prepare the long, medium and short term development plans in all their parts and projects and distribute responsibilities to sectors and coordinate among those sectors.
- Adopt the required measures and make the required studies to secure the planning's effectiveness and carry out by each quarter of its role in the plan.
- Undertake periodical follow-up on the progress of plans and help make available requirements of implementation. Do away with obstacles and prepare reports on progress in implementation and follow it up with the inclusion of the necessary corrective measures.
- Following up commitment of all quarters to endorsed policies and plans.
- Proposing legislations for planning.
- Proposing best ways for organising the state administrative and general services body to ensure positive contribution to the achievement of a comprehensive development.
- Studying economic and social cooperation affairs with other GCC states on economic and social development plans.
- Studying matters referred to the council by His Highness the Amir within the council's competence.

The decree stipulates that the Supreme Council for Planning expresses its view in form of recommendations to be submitted to the Cabinet for approval and to His Highness the Amir for endorsement.

The council should submit an annual detailed report to His Highness the Amir on various projects related to the state social and economic plan and its progress and obstacles facing it together with the council's proposal for solutions and remedy for such obstacles.

Before taking a decision on such a report His Highness the Amir refers a copy of the report to the Cabinet to give its view and recommendations in this respect.

According to the decree the Supreme Council for Planning is to be headed by His Highness the Heir Apparent and should have a Deputy Chairman and with the membership of a number of ministers and experts. The ministers are to include the Education Minister, Economy and Trade Minister, Industry and Agriculture Minister, Finance and Petroleum Minister, Finance and Petroleum Minister, Labour and Social Affairs Minister, Governor of Qatari Monetary Agency, Secretary General of the Council and representative of the private sector to be nominated by Qatar's Chamber of Commerce.

An Amiri Decree is to be issued nominating Deputy Chairman of the Council and members for a three year term to be renewable.

His Highness the Amir is to attend the sessions of the council when the requirements of the common good have necessitated that and His Highness the Amir is to chair the session he attends.

The council is to have a General Secretariat to be headed by Secretary General to be appointed with an Amiri Decree upon the nomination of the Chairman of the Council.

The Amiri Decree stipulates that the council meets at the invitation of its Chairman or Deputy Chairman once a month and also meets whenever necessary.

The session of the council is to be held if the majority of members attended it. Recommendations are to be issued by the majority vote and if votes are equal the side including the Chairman is to be predominate.

The council may invite Ministers or others to attend its session and take part in discussions but they will have no vote.

Under the Amiri Decree a unit for planning and follow-up should be established in every ministry and other corporations, general organisations and government departments. Such a unit is to be formed by the concerned minister or director.

The unit's meeting may be attended by a representative of the council at the request of the concerned minister or director with the approval of the council's Chairman.

Every unit undertakes collection of data and necessary studies to prepare general and annual plans and follow-up reports within the competence of the quarter it affiliates and under the private sector which controls or supervise such a quarter.

The unit shall submit its reports and proposals to the concerned minister or the concerned director who in turn shall refer his ministry or department planning projects and follow up reports to the council.

This Amiri Decree is effective as from the date of its issuance and to be published in the Official Gazette.

SUDAN

U.S. Company Reportedly Proposes Burying Nuclear Waste

45000165 London AL-DUSTUR in Arabic
12 Jun 89 p 4

[Text] It has been revealed in Khartoum that last August an American company proposed to former Sudanese Finance Minister Dr Bashir 'Umar a program to bury 10,000 tons of nuclear waste under Sudanese soil daily. This is at a rate of \$350 per ton. The Finance Ministry presented the American offer to the pertinent offices, which rejected it.

It came out in a press conference held by the Sudanese Environmental Protection Society on the first of this month that the offer presented to the finance minister contained a guarantee that the Sudanese Ministry of Finance would receive \$53 million from the company which played the role of intermediary for burying the nuclear waste. The Sudanese Environmental Protection Society asked the government to disclose the Finance Ministry's response to the company that had offered its intercession and to issue a law punishing all who cooperate with intermediary companies to bury waste on charges of high treason.

Al-Mirghani Interviewed on Arab Issues

45040338b London AL-TADAMUN in Arabic
15 May 89 pp 17-18

[Interview with Ahmad 'Ali al-Mirghani, president of Sudan's Ruling Council: "Sudan Under AL-TADAMUN'S Microscope: Field Tour of Country with 1 Million Problems; Sudan's President Tells AL-TADAMUN, 'We Support Everything That Would Unite Arabs; We Wholeheartedly Support Fellow Palestinians'"; in Khartoum; date not given]

[Excerpts] [Passage omitted]

Arab Councils

[AL-TADAMUN] What does Sudan think about the establishment of Arab unity and cooperation councils which have cropped up recently? Does Sudan intend to join any one of them?

[Al-Mirghani] The Cooperation Council of the Arab Gulf countries is, of course, a leading experiment in the area of economic and political coordination and integration. We support everything that would bring the Arabs together. This is a good thing; and we wholeheartedly support and welcome it. But the Arab Cooperation Council's charter has not been completed yet. When it is completed, we will look into it, and we shall see. In principle, however, let me reiterate that we support anything that would unite the Arab ranks, mend the rift between Arabs, and increase opportunities for cooperation and integration.

Results of Visit to Egypt

[AL-TADAMUN] What are the most prominent results of your recent visit to Egypt?

[Al-Mirghani] One of the most prominent results of that visit has been the fact that it gave us the time to look into new matters and issues which concern the two countries and the two peoples. This visit enabled us to look into new developments on the Arab and international scenes, and it enabled us to look at the Middle East problem more closely. The points of view on these issues were the same. In general, let me say that this was an extremely successful and fruitful visit. [passage omitted]

Peace in the South

[AL-TADAMUN] What about conditions in south Sudan?

[Al-Mirghani] As far as the war is concerned, the peace initiative continues. There are special committees for the peace initiative, and Arab, international, and regional contacts are being made to bring about the success of this initiative. We want this initiative to produce and firmly establish a permanent peace in Sudan. We want it to make the people of Sudan pay attention to the construction of the country, and we want it to make them work for its progress and advancement.

[AL-TADAMUN] Regarding the migrants and refugees, is there some idea on what is to be done about them?

[Al-Mirghani] There are refugees, of course, from neighboring countries, and we do not want to throw anyone out, whether he is a refugee or a visitor. But given the fact that present conditions in Sudan are burdensome, we want to organize this matter in such a way so that the problem of refugees does not create a new burden for us.

There are Sudanese migrants who left their homes because of the war. This is a difficult problem for which we must find a remedy in the context of our efforts to achieve peace. I considered this matter with Prime Minister al-Sadiq al-Mahdi before my meeting with you, and he will undoubtedly give it his special attention.

[AL-TADAMUN] How much truth is there in the statement that there is a connection between solving the problem of south Sudan and the question of Eritrea?

[Al-Mirghani] There is absolutely no truth to it at all. We merely mediate between our Eritrean brothers and Ethiopia, and we will not interfere in the decision of either party. The two parties themselves have to find the best solution to their problem.

[AL-TADAMUN] Where does Sudan stand on the Palestinian question?

[Al-Mirghani] When our brother Yasir 'Arafat came to Sudan, we were the first to recognize the Palestinian state. We upgraded Palestinian representation in our country to the level of ambassador. We wholeheartedly support our fellow Palestinians. In fact, we are fighting the same battle they are fighting, and we remain committed to all Arab resolutions regarding the Palestinian question and the legitimacy of independent Palestinian decisions. We support and protect these independent decisions.

[AL-TADAMUN] Mr al-Mirghani was silent for a moment. Then he added:

[Al-Mirghani] We have been following all the developments on the Palestinian scene in Sudan. Not a single occasion has gone by without expressing our support to our fellow Palestinians. Today, Sudan watches the intifadah [uprising] in the occupied land with much appreciation and admiration, and it watches the Palestinian, Arab, and international efforts which are being made to surmount the difficulties that stand in the way of an international peace conference in the Middle East. We hope that these efforts will be crowned with success and that God Almighty will allow them to succeed.

Committee To Sequester Trade Union Assets
LD0507141489 Omdurman Radio in Arabic
1300 GMT 5 Jul 89

[Text] Order for the establishment of a committee:

After taking cognizance of the law on transitional procedures for 1989—amended in 1989, I, Staff Brigadier Bakr Tayfur Muhammad Ahmad, commander of the Central Military Region, decree the following:

A committee for taking an inventory and receiving assets and possessions of the trade unions and associations shall be set up. It will consist of the following officers:

Staff Brigadier Muhammad Hasan Sulayman—chairman; Staff Colonel jurist Ubaydallah al-Jili,—member; Major (Salfashol Ayak) from the Sudan Security Apparatus—member; Major Uthman 'Abdullah Abu-Sin from the central investigation department—member; Captain Kamal Ibrahim al-Amin from the internal security organ—member; the general registrar of the work organizations—member. The committee will do an inventory and sequester all the assets and possessions of the trade unions and associations in the national capital.

The committee will commence its task immediately at the office of the general registrar of the work organizations. The committee will submit its procedures immediately after completing its task to the person who ordered its establishment.

Signed: Staff Brigadier Bakr Tayfur Muhammad Ahmad, commander of the Central Military Region

Former Finance Minister Praises IMF Assistance
45040335b London AL-MAJALLAH in Arabic
3 May 89 p 19

[Interview with Tijani al-Tayyib, former finance minister, by unnamed interviewer: "Withdrawing From the IMF Is a Senseless Political Decision"; Khartoum, date not given; first paragraph is AL-MAJALLAH introduction]

[Text] The Sudan is considered to be one of the most important Arab and African countries that have suffered and still suffer from difficulties in dealing with the International Monetary Fund [IMF]. Implementation of the IMF's conditions led in the Sudan to important political and social consequences which may have been among the reasons for the overthrow of former President Ja'far Numayri. It may also have led to recent popular demonstrations. The last of these was the "sugar demonstration" in December 1988. Dr Tijani al-Tayyib, former Sudanese finance minister, worked for 10 years as an expert with the IMF. AL-MAJALLAH spoke with him about the Sudan's experience.

[AL-MAJALLAH] The Sudan's relationship with the IMF and World Bank during the recent past has been marked by great tension. Some circles have accused these two institutions of wrecking the Sudanese economy. What is your evaluation of this relationship?

[Al-Tayyib] One thing must be clarified: the Sudan is suffering from an economic problem, regardless of whether the IMF exists or not. The IMF is an international institution. The Sudan is a member of it. It has the same rights and obligations as all members. The IMF operates according to the directives and instructions of its members. It does not impose its will on the state. Rather, it employs its capabilities and powers to serve its members. If the IMF becomes deeply involved in any country, it is due to the weakness of relevant government bodies in setting economic policies in that country. In

the Sudan, we disagreed with the IMF about the manner of initiating reform. The IMF thinks that reform is an integrated process that must take place comprehensively and all at once. After the bitter experiences of economic policy in the Sudan, we think that all-encompassing policies will be politically and socially rejected. We therefore told the IMF that the problem had to be treated in the context of first aid—i.e., that there were economic indicators that had to be controlled, and that the atmosphere for reform had to be prepared before undertaking reform. The first-aid operation concentrates on a number of matters. The most important of these is controlling inflation. Thus, there must be control of markets and financial discipline. Then we will begin the reform operation in accordance with definite policies and a timetable. The IMF recently agreed to our proposal, convinced that the solution lies in this context. It considered the initial first-aid period a grace period during which the Sudan will apply the first-aid policies that it thinks best. Afterwards, the IMF will be able to evaluate these policies and their effects; in agreement with the relevant authorities, a comprehensive system of reform will be laid out, to be agreed to by all the parties involved. On this basis, the IMF's role will concentrate on furnishing the revenues needed for funding the program. The IMF has pledged itself to provide funding. An IMF mission was supposed to have come this February to evaluate economic policies. In light of the evaluation, the mission was to have agreed with the Sudan on the kind and form of policies required for economic reform. However, this did not take place, due to the political crisis that the Sudan has experienced in the last 2 months. I believe the beginning must take place in this manner.

[AL-MAJALLAH] Many demand breaking relations with the IMF on the ground that its "prescriptions" for treating the Sudan's economic problems have led to further collapse. To what extent do you agree with them?

[Al-Tayyib] Withdrawing from the IMF is a political decision. I do not believe it has any sense. The Sudan's problems are long-standing, clear, and have been studied. All the solutions that have been proposed on the Sudanese scene differ only in certain details. But are we capable of implementing them? The IMF kept its distance from us during the transition period and afterwards. What have we done, that we should now demand that it stay away? We cannot become independent of the rest of the world between one evening and the next morning. We are a country that depends on the world for about 50 percent of its current expenses. To those who demand that we break off relations with the IMF I say, "We cannot break off these relations. The Sudan is indebted to the IMF for about \$1 billion. Breaking relations will have an effect on grants and loans. We shall have left international society, and that is not in our interest."

Opposition Leader Explains NIF's Peace Position
45040335A Cairo UKTUBAR in Arabic 23 Apr 89 p 16

[Interview with 'Ali 'Uthman Taha, head of parliamentary opposition, by Usamah Ayyub: "Why We Rejected the Peace Agreement and Participation in the Government"; Khartoum, date not given]

[Excerpts] 'Ali 'Uthman Taha is the leader of the Sudanese parliamentary opposition and the prominent leader in the National Islamic Front [NIF], which Dr Hasan al-Turabi heads. [passage omitted]

[UKTUBAR] How does the NIF envision the way to solve the problem of the Sudanese South?

[Taha] We in the NIF were the first to set out to meet John Garang—not on the basis of emotions, for we know the extent to which interests are entangled in this issue. We tried to resolve the complex directly, by a clear proposal for the Sudan's future and for the arrangement of relations in it between South and North.

[UKTUBAR] The question remains: Why did the NIF refuse to approve the peace agreement that the Democratic Unionist Party [DUP] leader signed [with] Garang last November?

[Taha] We think that although the NIF's position opposing this agreement is costing us some misunderstanding among some friends and enemies, we accept this as the price for strengthening the negotiating position at the national level.

We are willing to play this role, so that all our eggs will not be in one basket. We are making the government proceed with this attempt. If it succeeds, peace will cover the entire homeland. While the government negotiates, it can point out that there is a political force that could contribute to complicating the situation, if Garang's movement does not come to understand the government's moderate position. [passage omitted]

Furthermore, we do not think that the Sudanese house has been put in order internally, so that it can make the peace treaty a real solution.

[UKTUBAR] Isn't the achievement of peace part of the measures for putting the Sudanese house in order internally?

[Taha] But if you cannot bring order to your internal economic and military conditions, you cannot enter into negotiations from which the achievement of peace is to be expected. [passage omitted]

[UKTUBAR] My question remains: Why did the NIF reject the agreement? At least [one might have accepted it] to invalidate Garang's pretexts and go all the way with him.

[Taha] Based on what has been brought up previously, we rejected the agreement for two main reasons:

First, the agreement, in our overall political estimation, is not a serious affair, because any peace agreement must begin with a cease-fire, before anything else. Was that achieved in last November's agreement? [passage omitted]

Second, the agreement stipulated that defense agreements with the Arab states (Egypt and Libya) be cancelled.

[UKTUBAR] (Interrupting) It did not say "the Arab states," but rather, "agreements that infringe on sovereignty."

[Taha] It was an allusion to the agreements with Egypt and Libya. The Sudan has no military agreements with non-Arab states.

[UKTUBAR] The intention may have been the military facilities agreement granted to America, as is rumored now in certain Sudanese circles.

[Taha] There is no such agreement. Since the uprising, we still have found nothing in government documents indicating the existence of an agreement to this effect. There is only political talk about it.

During the negotiations, Garang referred by name to the Sudan's treaties with Egypt and Libya. We in the NIF do not believe that the Sudan's agreements with any fraternal Arab country infringe upon sovereignty.

[UKTUBAR] A question related to the preceding one remains. Why did the NIF not participate in the United National Front government, thus becoming the one political force in the Sudan outside this government?

[Taha] Our standing aloof from participation in the government does not mean that we have distanced ourselves from the national contribution to facing the problem. We have presented our ideas about the issue. We are still engaged in continuing consultations with the government and on the party level to prepare our detailed papers for participation in the constitutional conference, when agreement is reached on holding it.

We do not accept participation in a government that includes entities and political parties that do not represent political or parliamentary weight. For example, the Communist Party has no political weight. It didn't obtain even 5 percent of the votes in the last elections. Its parliamentary backing is three seats in the Constituent Assembly; yet it has been represented in the new government by two ministers: the first an open representative of the party, the second a secret one—the head of the physicians' union, who entered the government as representative of the unions.

We think that the elements that entered the government at this time are closer to the intellectual position of Garang's movement than to the national mainstream. Furthermore, they have come on the basis of pressure very much like the pressure of guns. They have not come because of their parliamentary weight, but because of the weapon of trade union strikes for demands. Thus, from inside the government they are exercising pressure that is no less than the pressure of Garang's guns.

[UKTUBAR] But can one neglect the important role of the modern forces (the unions) and their overall political weight in a situation that requires national confrontation—such as the political situation through which the Sudan has recently past?

[Taha] We do not reject the modern forces. Indeed, we in the NIF consider ourselves the political force that most expresses them. We represent 40 percent of total union and professional forces in the Sudan.

[UKTUBAR] If we grant that, it favors their being represented in the government from your point of view, and is not against it.

[Taha] The modern forces have been represented in the government not by way of a real political program. The name, "modern forces," was employed to exert pressure for acceptance of the conditions that Garang proposed. We do not think we are in a position that enables us to accept these conditions.

There may be a loss for the NIF at its party level because it has not participated in the government. The Sudan, however, is not losing very much, as long as national consultation continues.

[UKTUBAR] Some think that you have gained politically by not entering the government at this stage.

[Taha] Winning and gaining political support are a legitimate goal of every party. But party gain was not our goal in this context. We think the national interest comes first. We are not merely a political movement, but rather a political-religious movement. We are logically consistent with ourselves. Because of the religious creed in which we believe, it is not possible for us to participate in a government that does not abide by the precepts of the [Islamic] religion.

Ba'th Party Presents Position, Solution for Regional Crises

*45040338c London AL-DUSTUR in Arabic
15 May 89 pp 32-34*

[Unattributed article: "Regional Discrepancies and Balanced Development"]

[Excerpts] [Passage omitted]

The need to search for a new development strategy stems from our country's concrete experience and from its needs for development and progress. The need for a new development strategy also stems from the experience of fraternal and friendly countries. It is only in that context that we can squarely and decisively confront the problem of discrepancies and unequal growth in the regions. This is because this phenomenon is the product of the conditions created by colonialist domination. It is also the product of a subordinate, capitalist mode of development which was imposed by a colonialist administration and followed by those who held power for the past 30 years.

Some foreign forces, other regional movements, and the nihilistic national tendency attribute this phenomenon to religious and racial causes. They say that Arab Islamic domination and Arab Islamic capitalist groups are responsible for these discrepancies. This is an erroneous interpretation of the situation which ignores the real facts and the historical development of the rise and development of this phenomenon of discrepancies. This interpretation refuses to concede the truth about this phenomenon and refuses to see these discrepancies as the product of the capitalist, subordinate mode of development as well as its companion. The subordinate, capitalist mode of development always produces such discrepancies in different forms. If the areas of al-Jazirah and the northern parts of the country in general have been more fortunate as far as economic and social development are concerned, that is not due to their Arab ethnic makeup or to their Arab Islamic culture. It is rather caused by colonialist policies and by the mechanism of the subordinate, capitalist mode of development. Political leaders in the north (Arab Islamic) can be judged only in that context.

Actually, setting forth the case in those terms, that is, considering it a conflict with Arabs and Muslims or with Arab Islamic capitalist groups, turns the conflict into one in which the demands are not specific. It turns the conflict into one in which people have a sense of being wronged and a sense of regional injustice but no awareness of the real causes of the conflict. This is precisely what southern capitalist groups and other regional groups want and have been trying to accomplish. In that way these groups and their political leaders have been trying to take the legitimate demands of the people in the regions in question and turn them into an important pressure tool in their struggle for survival and in their effort to share power and an economic surplus with those groups which control central power and the central market. [passage omitted]

It is on the basis of all this that the Socialist Arab Ba'th Party thinks that the question of discrepancies and unequal development in the regions can only be confronted and solved as an inseparable part of the problem of backwardness and subordination which the Sudanese economy is experiencing. This is to be done without ignoring the special issues of the regions in question. [passage omitted]

After such a lengthy experience with this subordinate, capitalist mode of development whose tragic consequences are well-known, the only thing we can do is spurn that mode of development and pursue a new development strategy which is based on comprehensive and balanced development, on economic independence, on self-reliance, on meeting the basic needs of the masses, on fairness in distributing returns, and on an earnest approach to economic integration with neighboring Arab and African countries. This strategy does not mean selecting the path of socialist development. The Arab Socialist Ba'th Party does not think that the time for that question has come yet; that question has not yet been settled in our country.

The only aim of this strategy is to build an independent national economy. This independent national economy would meet the basic needs of different groups of people, including capitalist groups involved in production and committed to the country's supreme interests.

The most important conditions for applying such a strategy are manifested in the following:

- The existence of an authority representing the nation's wishes and the interests of the broadest masses, not those of limited groups in society.
- Adhering to a method of comprehensive economic and social planning.
- Affirming the public sector's leadership role in the process of development and defining the roles of the private and cooperative sectors.
- A democratic system that would allow the broadest segment of the masses to participate effectively in formulating development plans and following through with their implementation. [passage omitted]

Priorities of the More Backward Regions

In a comprehensive, economic, social plan, it remains essential that adequate consideration be given to the more backward regions. It is true that the problem of regional discrepancies cannot be solved by itself, without solving the problem of the Sudanese economy as a whole. And it is true that linking the two problems together puts us on the proper path to find a solution to both problems in accordance with the desired balance. But it is essential and very important that attention be given to the priorities of the more backward regions, especially the southern region, Darfur, Kordofan, and others. This has to be done as part of the comprehensive national plan and not apart from it.

In this regard we in the Arab Socialist Ba'th Party think that priority should be given to the following subjects:

- An integrated plan is to be devised for the more backward regions, especially the southern region, Darfur, and Kordofan. This plan, which should be consistent with the comprehensive national plan, should aim at developing those regions by means of

regional planning and steering the required amounts of government investments into specific directions.

- The traditional sector is to be restored to life, and the required conditions are to be prepared to enable that sector to regain its historical role and to modernize itself. The traditional sector is to be linked with other production and service sectors.
- A complete plan is to be devised for the automated agriculture sector. The aim of this plan would be to guide that sector to expand and establish relations with other activities. Besides, this sector should be employed to promote the development of areas for automated agriculture by giving local residents and their cooperative societies priority when projects are distributed, and confirming that the economic surplus is to be reinvested to serve the interests of those residing in the areas of production.
- The system of regional government in the northern regions of the country is to be abolished and replaced with a system of governorates that would be locally and democratically governed in a manner that is compatible with each area and each region. This would save tremendous resources which can be directed into the development of production, services and reconstruction activities. [passage omitted]

RCC Information Committee Chairman Appoints Members

LD0307225689 Omdurman International in English (Tentative) 1948 GMT 3 Jul 89

[Text] Colonel Sulayman Muhammad Sulayman, member of the Revolutionary Command Council for National Salvation and Information Committee chairman, ordered the membership of the following in the Information Committee: Colonel Hasan Muhammad (Dahawi); Colonel 'Abd-al-Din Nur-al-Din Hasan, the director of the SUDAN NEWS AGENCY; the director of television; and the director of the Sudan Broadcasting Service.

Al-Bashir on Popular Participation

LD0407212189 Khartoum SUNA in Arabic 1010 GMT 4 Jul 89

[Excerpt] Lieutenant General 'Umar Hasan Ahmad al-Bashir, the chairman of the Revolutionary Command Council For National Salvation [NSRCC], has announced that the people will be given the opportunity to participate through institutions broadly representing them [sentence as received]. During a meeting last night with representatives of the Arab and foreign media, he went on to say that the idea of this popular participation—the form of which had not yet been finalized—was that the representatives chosen for the people would not be aligned to parties and that the party leaders would not participate in the institutions.

He said the parties had aborted the democratic experiment and made major mistakes, for every one of which there needed to be clear punishment. He said emergency

courts would be established with the participation of the judiciary, and that civilians of the former regime tried by them would be given the opportunity to defend themselves and to appeal.

During the meeting, the NSRCC chairman said that the leaders of the militias in the national capital had surrendered and that some members of the militias guarding the headquarters of the Ummah Party had fled after abandoning their weapons. [passage omitted]

Bashir 'Umar Discusses Peace Process, Oil Exploration

45040338a London AL-HAWADITH in Arabic 12 May 89 pp 33-34

[Interview with Bashir 'Umar, assistant secretary general of the Ummah Party and minister of energy: "Quest for Peace Continues, but Patience Is Needed;" date and place not given]

[Excerpt] [Passage omitted]

[AL-HAWADITH] Is Sudan continuing its quest for peace?

[Umar] Peace is our choice for achieving national unity. We want to hold peaceful talks between Sudan's various parties and organizations in the context of a national constitutional conference. We know that the road to peace is a difficult one and that it requires patience and self control. However, the alternative to peace will be a tragedy we are trying to avoid. This is neither surrender nor inertia; it is rather an affirmation of the government's choice to enter into the peace talks seriously, honestly, and sincerely. Whereas peace has its consequences, the effects of war are destructive. We chose the road to peace with all its sensitivities and all its costs. That too was the choice made by consecutive governments over the past 3 years. Significant efforts were made to achieve a peaceful settlement to the war in the south, which is not a civil war as many people like to describe it. This war in the south was brought about by outside factors which delayed the achievement of proper solutions to end this war. The present government is trying to take action on the domestic front by working with Sudan's parties, organizations, and groups to make preparations for the National Constitutional Conference. At the same time, it is taking action abroad to clarify the new government's position on choosing peace and approving it. Both the East and the West are involved in the war in the south. The World Council of Churches and international federations of communism are also involved in the war.

This war is being described as a war between Islam and Christianity, but that is not the case. We know this is being used to stir up civil strife between citizens of the same country. This war is being described as a war between Arabs and blacks, but that is not the case either. This is being said to stir up civil strife between citizens of

the same country. It is being said that the cause of this war is the lack of economic justice and a just distribution of the wealth. And there is some truth in that statement. South Sudan is relatively backward when compared with other areas in North Sudan. There are other areas also which are backward if compared with areas of the north. But the war itself is one of the reasons for this economic backwardness. If security were stable in those areas, investments in the tremendous agricultural, water, and mineral resources which are available in that beloved part of our homeland would have been possible.

What matters is that the new government headed by al-Sadiq al-Mahdi started out with a clear commitment to the peace process. It made some progress in its quest for peace, and it did so with greater assurance and with more effectiveness. It took practical measures to achieve a formula that was satisfactory to both parties. This was the so-called Sudanese Peace Agreement, which the Democratic Unionist Party [DUP] had signed with the movement last November. Officially, the movement had to accept the agreement, and the government accepted the step-by-step program which was devised by political parties and political activists. That program emphasizes peace as a priority.

The Council of Ministers formed a Supreme Committee for Peace which was chaired by Sayyid Ahmad al-Husayn, deputy prime minister and minister of foreign affairs. This committee functions as an operations room where the peace process is monitored and the implementation of its different steps is overseen. This committee conducts talks with the movement in Addis Ababa about practical measures to effect a cease fire and to form a national steering committee for the National Constitutional Conference. This is the conference which we hope will embrace and cover the unity of Sudan and achieve specific results on major issues, chief among which are the system of government, the division of resources, power sharing, cultural or ethnic identity, and the question of religion and the state. Does Sudan have a federal system of government? Is power centralized or regional? Is Sudan an Arab, African country or what? Most of the people in Sudan are Muslims, and as Muslims they seek laws to regulate their lives as Muslims. Meanwhile, the other party, the movement, thinks that no religion should be named in the state. At any rate, all these issues will be discussed in a democratic fashion, and they will also be settled in a democratic fashion in a manner that would satisfy the ambitions and aspirations of the Muslim majority. At the same time they will be settled in a manner that would not harm the rights of the non-Muslim minority in the state.

[AL-HAWADITH] Let us put another thorny issue in front of you: the debt issue. What have your talks with the IMF led to? Are the conditions imposed on Sudan by the IMF responsible for the various economic crises we've been having? Are they responsible for the high cost of living?

[Umar] My colleague and brother, the minister of finance, can give you a better, detailed answer to that question. He held talks recently with the IMF in an attempt to break the siege which has been laid around Sudan, if one may say so. These talks were held in an attempt to benefit from the IMF's resources and from the resources of that fund's member countries. Let us take into account the fact that Sudan owes the IMF large sums of money and had indicated many times that it was unable to pay back those debts.

Some time ago the bank had invited donor countries to offer grants for reconstruction and development projects so that areas and facilities which were destroyed by deluges and floods last August and September can be rebuilt. These countries promised they would pay \$400 million. That project is now being considered by the board of directors of the IBRD [International Bank for Reconstruction and Development]. Countries will make contributions in the form of grants, but the bank's contribution will be a loan.

[AL-HAWADITH] Did the International Relief Conference succeed in achieving its objectives?

[Umar] Yes, the conference succeeded in bringing together countries and international organizations within the framework of the United Nations. The countries promised to provide 100,000 tons of grain which would be shipped to our people in the south as a relief measure. They also promised that \$50 million would be provided in that regard.

Relief operations were actually begun, and real efforts were made by everyone. We hope we will be able to transport the necessary amounts of grain before fall.

[AL-HAWADITH] What about the new oil discoveries in Sudan?

[Umar] As you know, the war in the south affected the continuity of oil exploration activities. We started discovering oil in the mid-eighties in areas which are located in the far south of the northern part of Sudan and in the far north of the southern part of Sudan, or in those areas which are called contact areas. The Government of Sudan, which has been trying to get international companies to come to Sudan, has been offering incentives to these companies to encourage them to look for oil and conduct oil exploration operations as well as economic feasibility studies for Sudan's various mineral resources, including crude oil and gas. I would like to affirm here that many oil discoveries will be announced soon by Chevron, an American company drilling in South Kordofan, and also by Sun Oil, another American company drilling in areas of al-Jazirah in Central Sudan. Early indications show that these discoveries are major discoveries and that oil is available in commercial quantities.

Japanese companies are now involved in the field of exploring for various mineral resources. I affirmed that Sudan has large oil and mineral reserves in more than one area: These large reserves can be found in the north, in the south or in central Sudan. In central Sudan, Total and Sun Oil companies are conducting advanced exploratory studies, and the results of those studies are positive. Other companies are engaged in exploratory activities in the far north of the country. There are geological groups affiliated with the Ministry of Energy scattered all over the country; they are working with some companies on geological and geophysical surveys, and they are mapping the territory, especially the harsh, desert areas, for minerals. These groups are using the most modern equipment of the age in the science of geological surveying. The map which they completed has been printed and sent to international companies to invite them to come to Sudan and invest in oil and minerals. We will offer them all the easy terms for commercial investments. Also, large quantities of natural gas have been discovered in areas near the Red Sea coast.

We actually received replies from some Japanese and American companies, expressing a desire to come to our country to look for oil, gas and minerals.

[AL-HAWADITH] Is there any coordination between Sudan and the Kingdom of Saudi Arabia? Are there any agreements between you and the Kingdom to assist you with experience and funds to support these oil discoveries?

[Umar] Naturally, relations with the Kingdom of Saudi Arabia, a fraternal and neighboring country, are positive in all the various aspects of life. We can never forget the splendid stance taken by the king, his government, and the fraternal people of Saudi Arabia during the disaster of the flood. We can never forget the unprecedented Saudi air lift of supplies, food, rescue equipment, medicines, tents, and different requirements for relief and rescue.

The two countries have always had relations pertaining to oil in two areas. The first one has to do with research; the second, with application. In the area of research we hope to develop this relationship with Saudi Arabia even further so we can benefit from the major development which the Kingdom achieved in that regard. In the area of application, we must mention with considerable loyalty the assistance which the Kingdom continued to offer Sudan in the form of oil grants. We can mention, for example, that between 1982 and 1988 the Kingdom offered more than \$332 million in petroleum grants which helped Sudan overcome many of its production and consumer crises. Sudan, which pays more than two-thirds of its export revenues for oil, often faces major foreign currency shortages and cannot pay its oil bill. The entire agricultural season depends on a steady supply of oil. In that respect, the Kingdom has continued to shore up the Sudanese economy. We thank the Kingdom for that, and we admit that its support has been extremely commendable.

INDIA

Papers Report on Introduction of Village Council Law

Gandhi Speech

46001469 New Delhi PATRIOT in English
16 May 89 p 5

[Text of Prime Minister Rajiv Gandhi's statement in the Lok Sabha on 15 May 1989]

[Text] Following is the full text of the Prime Minister's statement while introducing the Constitution (64th amendment) Bill in the Lok Sabha on Monday.

Mr Speaker, Sir, I seek leave to introduce the Constitution (64th amendment) Bill.

Democracy was the greatest gift of our freedom struggle to the people of India. Independence made the nation free. Democracy made our people free.

Rural Self-Government

Gandhiji believed democratic freedoms had to be founded in institutions of self-government in every village of India. He drew his inspiration of his vision from the panchayats, the traditional "village republics" of India.

Panditji established institutions of Panchayati Raj as the primary instrument for bringing development to the doorstep of rural India. Indiraji stressed the need for the people's participation in the processes of economic and social transformation.

Implementation Failures

Yet, there is no denying that in most parts of the country we have failed to fulfill the high hopes we had vested 30 years ago in the institution of Panchayati Raj. Elections have been irregular. They are often unnecessarily delayed and frequently postponed.

This is not a matter of political will. The best record of regular elections of Panchayati Raj institutions is of two State Governments which, since the inception of Panchayati Raj, have almost continuously been ruled by the Congress Party: Gujarat and Maharashtra.

In recent times, some state Governments run by opposition parties, such as the CPI-M [Communist Party of India-Marxist] in West Bengal, the Telugu Desam Party in Andhra Pradesh and the Janata Party in Karnataka have held regular elections. In other States, the record of non-Congress parties and coalitions has not been much better than that of Congress-run State governments. This is not a matter of political parties.

Irregular Polls

The essence of democracy is elections. Elections of Panchayati Raj institutions have been woefully irregular and uncertain. A mandatory provision in the Constitution is sacrosanct. A statutory provision in the State law does not quite have the same sanctity. We propose, through this bill, to enshrine in the Constitution regular, periodic elections to Panchayati Raj institutions.

We also propose through this bill to end the other sickness which has overtaken Panchayati Raj in many parts of the country. This is the sickness of unending suspensions and dissolutions. In the absence of any compelling provision to reconstitute panchayats within a reasonable period of time, by democratic elections, suspended panchayats have remained suspended for years on end, and dissolved panchayats have remained dissolved up to a decade and more.

In the existing municipal law on the subject, State legislatures have given the executive authority such wide powers to abort the institutions of Panchayati Raj, and assume delay in reconstituting them, that these institutions have been breached of their ability to stand on their own as representative forums of the people's will. Their existence has depended less on the mandate of the people than the whims of State Governments.

Our bill leaves it to the States to determine the grounds and conditions on which panchayats may be suspended or dissolved. We expect State legislatures to specify the grounds on which the Governor may suspend or dissolve a panchayat.

That is a matter for the Governor acting, in accordance with the Constitution, on the aid and advice of the State Government. Our concern is with ensuring that a dissolved panchayat is reconstituted within a reasonable period of time.

People's Mandate

Our bill would make it mandatory through the Constitution for all panchayats dissolved before the expiry of their term of office to be reconstituted through democratic elections based on adult suffrage within six months of the dissolution to complete the remaining term. No more will panchayats remain the plaything of the arbitrary exercise of executive power. It is the people who will determine, within a matter of months, the profile of the reconstituted panchayat.

Constitutional Safeguards

It is the Constitution which ensures that the Lok Sabha and State Assemblies are constituted by the vote of the people on the basis of universal adult suffrage. It is the Constitution which ensures that if an Assembly is dissolved, it is reconstituted by a procedure and within a time frame specified in the Constitution itself. These are

essential safeguards to ensure the strength and vitality of democratic institutions. The institutions of Panchayati Raj have lacked strength and vitality precisely because they have lacked constitutional safeguards.

Our bill will ensure that Panchayati Raj has a democratic character similar to the Lok Sabha and the State Assemblies and Constitutional protection for their functioning as representative institutions of the people.

The single greatest event in the evolution of democracy in India was the enactment of the Constitution which established democracy in Parliament and in the State Legislatures. This historic, revolutionary bill takes its place alongside that great event as the enshrinement in the Constitution of democracy at the grass roots.

Till now, there have been weaknesses in the structure of our democracy because, although the superstructure is strong, the foundation has been weak.

Putting together both houses of Parliament and all State Legislatures, we have only about 5,000 to 6,000 persons representing a population of nearly 800 million.

This has had two serious consequences. First, the number of persons holding elective office in well-founded institutions of democracy has been far too small in relation to the size of our electorate. Once we accord to democracy in the panchayats the same sanctity now enjoyed by Parliament and the State Legislatures, we will be opening the doors to the participation in democratic institutions of something like seven lakh elected representatives. The people's stake in democracy will be increased by a factor of approximately 115.

Power-Brokers

There is a second deleterious consequences of the vast chasm that separates the general body of the electorate from the small number of its elected representatives. This gap has been occupied by the power-brokers, the middlemen, the vested interests. For the minutest municipal function, the people have had to run around finding persons with the right connections who would intercede for them with the distant sources of power. The system has been captured by the power-brokers. It is being operated in the interests of the power-brokers and is being protected by the power-brokers.

They have established their vice-like grip only because democracy has not functioned at the grassroots. The only way of breaking their stranglehold is for democracy to fill the vacuum which the power-brokers have occupied. Once the people have their own elected representatives from electorates as small as a 100-150 persons, the source of power will lie only as far away as the 'panchayat ghar', not some distant State capital or the even more distant capital of the country.

Direct Elections

To end any role for power-brokers in the system, the bill provides for direct election of members to panchayats at all levels. Every voter will have his own representative in the gram panchayat, the mid-level panchayat, and the zila panchayat. That representative will be responsible for a small and well-recognised electorate.

If he fulfills the mandate of other people, he will be re-elected. If he fails, the people will throw him out of office. The power of the vote will become the power of enforcement. The will of the people will render the power-broker superfluous.

Today, opportunity for democratically-elected leadership is confined to the few thousands who succeed in entering the portals of the State legislatures and Parliament. Once this bill becomes an integral part of the Constitution, a huge country-wide reservoir of leadership potential will be created.

At each panchayat election, approximately half a crore men and women, most of them young, will present themselves to the electorate seeking the people's mandate. Some will succeed and some will fall by the wayside. Those who do not succeed will get another opportunity five years later.

There is a vast uncultivated field of talent lying fallow in rural India. It is that fallow field we now propose to seed. That field will be watered by voters of members of this House and of your colleagues in other legislative bodies. The crop of talent you raise will give us the bountiful harvest to take our nation forward to a prosperous glorious future.

There is no country richer than ours in the most precious asset of humankind—the human resource. We, in India, have not flourished as we should because we have not nurtured our greatest resource. This bill makes it possible for the bulk of the nation's talent to be given opportunity. Throughout the country, there will be a ferment. In every one of our six lakh villages, in every one of our 5,000 blocks, in every one of our 100 districts, democracy will groom the men and women whose experience will subsequently become available to legislatures at the State level and to Parliament of the Indian Union.

Governor's Role

Our proposed constitutional amendment lays the constitutional junction upon the State Legislatures. It is for the State Legislatures to enact the appropriate law.

A quite unnecessary controversy has been raised about the role of the Governor in the proposed Panchayati Raj system. The Constitution is unambiguous on this point. Article 154 (1) states that: "The executive power of the State shall be vested in the Governor".

Article 63(1) clarifies that: "There shall be a council of Ministers with the Chief Minister at the head to aid and advise the Governor in the exercise of his functions". Therefore, the word Governor in the constitution refers to the Governor exercising his executive powers only and exclusively on the aid and advice of the Council of Ministers, with one exception.

The exception is provided for in the remainder of Clause (1) of Article 163, which reads: "...Except insofar as (the Governor) is by or under this Constitution required to exercise his functions or any of them in his discretion".

The distinction between the expression "the Governor" and the expression "the Governor in his discretion" is such a well-known matter of Constitutional law that it is amazing there should be any confusion on this point. After all, the expression, "the Governor" appears at scores of place throughout the Constitution and has nowhere been misconstrued or misinterpreted.

We are confident that in this Parliament, acting in this exercise of its inherent constituent powers, there will be no confusion between the functions of a Governor acting in accordance with the aid and advice of his Council of Ministers and of a Governor acting in his discretion whenever the Constitution requires him to do so.

SC/ST Reservations

In establishing the institutions of democracy in Parliament and in the State Legislatures, our founding fathers gave particular recognition to disabilities suffered by the Scheduled Castes [SC] and Scheduled Tribes [ST]. Provision was made for reservation of seats for them in accordance with the proportion of their population in the total electorate. This is a principle which has not been incorporated in most Panchayati Raj legislation enacted by the State Legislatures.

In my discussions with Panchayati Raj representatives, both during my extensive tours of rural India and in the numerous Panchayati Raj sammelans held, it was brought home to me most forcefully that the democratic rights of the Scheduled Castes and Scheduled Tribes cannot be secured by good intentions alone.

At this stage, it has to be secured, in the first instance, by reservations in Panchayati Raj institutions on the same basis as reservations are given in the Lok Sabha and the State Assemblies.

There is a widespread and justified apprehension on the part of the Scheduled Castes and Scheduled Tribes that if their due representation in these bodies is not assured, Panchayati Raj could become an instrument of oppression in the hands of the rural elite. Experience in different parts of the country has shown how, in the absence of reservations, vested interests have been able

to capture these institutions. Their hold on these institutions has been reinforced by the failure to hold regular elections. The people's mandate has been perverted into an instrument of exploitation.

To forestall such a perversion of the process, our bill proposes to make it mandatory for State Legislatures to ensure reservation for Scheduled Castes and Scheduled Tribes in proportion to their population in the relevant panchayat area.

Reservation for Women

Our bill also proposed a significant departure from the Constitution as it exists today. We propose the reservation in panchayats at all levels of 30 percent of the seats for women.

There are three major reasons deeming this constitutional innovation as necessary. First, women constitute half the population and are involved in rather more than half the economic life of rural India. However, to our shame, their share of assets and income is much less than their share of the population. The toil and sweat imposed upon them is rather more than half.

Second, the sound finance of the household has traditionally been the responsibility of the woman. Financial discipline and fiscal responsibility are ingrained in the habits and outlook of the women of rural India.

These are qualities badly needed in Panchayati Raj institutions. We believe the presence of women in large numbers in the panchayats will not only make the panchayats more representative but will also make them more efficient, honest, disciplined and responsible.

Third, it is the women of India, in their role as grandmothers and mothers, who have been the repository of India's ancient culture and traditions. It is to them that is entrusted the responsibility of transmitting to the next generation the quintessential value, standards and ideals which have enabled our civilization to survive and flourish without a break despite vicissitudes of many kinds. It is that strength of moral character which women will bring to the panchayats. Let us give them a warm welcome.

Devolution of Power

I now turn to the heart of the matter: devolution and sound finance. Respecting the right of the state of legislate provisions for devolution, we have deliberately refrained from tampering with their rights. We have no intention of attempting to rule the districts from the Centre. But we do expect the State Legislatures to enact such measures as are required to devolve powers and authority upon the Panchayats, keeping in mind the provisions of this bill and the spirit in which this amendment is being brought forward.

First is the power and authority of the panchayats to draw up plans within the framework of guidelines and conditions to be stipulated by the State Government. These plans will constitute basic inputs for the planning process at higher levels. Thus will be ensure that the voice of the people, their felt needs, their aspirations, their priorities became the building blocks of the edifice of planning.

We must put an end to planning from above. We must put an end to priorities being conceived and decided at ethereal heights, far removed from the realities on the ground. We must put an end to paternalistic planning. We must initiate a process of people's planning.

Social Justice

Our bill goes beyond merely planning for economic development. It lays upon the panchayats the even heavier responsibility for planning for social justice. It will not do to romanticise life in our villages. Life there is hard. Life there is exacting. Life there is, in many ways, exploitative and oppressive.

In driving the power-brokers out of powerhouses, in rendering the panchayats to the people, we lay upon the people's representatives the solemn responsibility of turning their attention, first and foremost, to the needs of the poorest, the most deprived, and the most in need.

Each plan for economic development will be accompanied by a plan for social justice. No plan for economic development will merit attention until its social justice component is clear. This is a charter not merely for our villages to become prosperous but also for our villages to become just.

Development Schemes

The second major responsibility of the panchayats will be implementation of development schemes assigned to them by State Government on such conditions as may be specified by the State Governments. These schemes should cover major economic concerns of rural India, commencing with agriculture and land improvement and going on to irrigation and watershed management.

It must comprise diversification of rural economy into animal husbandry, dairying, poultry and fisheries. It must incorporate industrial activity in rural India. It must extend to minor forest produce, the chief source of income for our entire tribal populace. It must encompass the day-to-day concerns of rural India—housing, drinking water, fuel and fodder.

Devolution must deal with the basic infrastructure of communication and power in rural India. We have suggested the inclusion in the panchayats' area of competence, of development schemes relating to non-conventional energy sources.

The proposed eleventh schedule places on the panchayats the major responsibility for administration of poverty-alleviation programmes. It would entrust the panchayats with education and culture, as well as health and family welfare, women and child development. We propose to request State Legislatures to make social welfare programmes for all the weak and handicapped sections, a functional responsibility of the panchayats. We also propose to give to the panchayats responsibility for the public distribution system, which is so crucial to the survival of the weakest and the poorest, as also to the general health of the rural economy.

The bill proposes that the panchayats be entrusted, with the most neglected area of our community life the maintenance of community assets. I would like to stress that the Eleventh Schedule is not an exhaustive list. We hope the States will progressively devolve many more powers and authority upon the panchayats so that whatever can be looked after at the local level is not remitted upstairs.

The single greatest danger we have to guard against is the devolution of powers to the panchayats being followed by the transfer of these powers out of the Panchayati Raj system into bodies outside the system and placed under the direct control of State Governments. Almost all State Governments, whether Congress or non-Congress, who have established a good system of Panchayat Raj, have seriously weakened the impact by constituting bodies outside the Panchayati Raj system where real powers of decision-making are vested and where elected representatives of Panchayati Raj are overshadowed by Ministers appointed by the State Government as in the case of Karnataka, by the MLA [Member of Legislative Assembly] becoming the ex-officio chairman of the Taluka Panchayati Samiti.

It is the purpose of our bill to ensure that powers delegated to the Panchayats remain within the panchayats and are not channelled outside the system. By the same token, our bill is designed to ensure that all development agencies are brought within the framework of the Panchayati Raj institutions and made responsive to the elected authority.

Unresponsive Authority

There are two basic reasons for administration at the district and sub-district levels having become so unresponsive to the people. One is the fragmentation of the district administration into a large number of agencies owing vertical responsibility to State Governments without adequate coordination at a single focal point at the district level. The other has been the absence of an elected authority to function as that focal point.

The House would recall that our Government was returned to office with the largest mandate ever accorded to any part in the history of independent India. I, as head of that Government, pledged to make a number of structural changes.

I, very quickly, discovered that the system could not cope with the demands which we were making upon it. There was too much ossification. Mere tinkering with the system would not do—a systematic transformation was essential.

Indeed, the starting point of the exercise which has led to the representation of this bill was my search for a way of fulfilling the 20th point of our revised 1986 20-point programme, which promised to the people a responsive administration. At my instance, the Department of Personnel organised a series of workshops on responsive administration to which all District Magistrates, Deputy Commissioners and Collectors of the country were invited. I spent over 20 hours in discussion with them.

It emerged that we could not make our administration responsive merely by simplifying procedures or establishing grievance redressal machinery or opening complaints windows. The sine qua non of a responsive administration is representative administration, responsible to the electorate. Such responsive administration in rural India can only be secured through genuine Panchayati Raj. It is this that our bill seeks to achieve.

Tax Revenue

Administrative powers must go hand-in-hand with sound finance. Too often in the past, Panchayati Raj has had functions without finances, responsibilities without funds, duties without the means of carrying them out. Our bill empowers State Legislatures to ensure sound finance or panchayats by endowing them with the revenues of taxes that might be appropriate by, or assigned to them, as also with grants-in-aid from the consolidated funds of the State.

To assist State Legislatures and the executive authority in determining which taxes to assign or leave for appropriation, as also the grants-in-aid to be given, the bill proposes the establishment of a Finance Commission to make suitable recommendations.

I would stress the importance of determining the taxes which will be levied, collected and appropriated by the panchayats. Nothing will, inculcate in the panchayats a greater sense of fiscal responsibility than the possibility of retaining with them the money that they raise for such use as they best deem it.

United grants make for local-level planning. Authorization of appropriation makes for responsible local-level planning. So far, the tendency has been to confine appropriation to cesses. We hope State Legislatures will go further and identify taxes, duties, tolls and fees which might be appropriated by the panchayats.

Jawahar Yojana

We are asking of the State Legislatures no more than we are of ourselves ready to do as a Union Government. A beginning has been made with the Jawahar Rozgar Yojana with 80 percent of the funds being devolved on village panchayats. We proposed to extend this principle to other Centrally-sponsored schemes.

There can be no better way of involving the people in their own development. There can be no better way of reducing corruption and nepotism. The system we propose is a transparent system. The bulk of the electorate in a village is composed of the intended beneficiaries of developed schemes. Each intended beneficiary will know what, whether and how the moneys are being spent. Any panch or sarpanch who cheats the people will be removed by the people. There is no way he can escape the consequences of malfeasance.

I would now like to turn to those parts of the country we are proposing to exempt from the system, or in respect of which special provision is made for modification. In the north-east, there is one sparsely-populated tribal state which has no difficulty in adopting Panchayati Raj without modification. That is Arunachal Pradesh.

The bill recognises that in three other states of the north-east—Nagaland, Meghalaya and Mizoram—there are traditional systems of self-government, akin to Panchayati Raj, which must be preserved. In deed, the rest of the country would be well-advised to study and learn from the village development boards of Nagaland. In these three states, the traditional systems will be left undisturbed.

Similarly, in areas covered by the Sixth Schedule, where autonomous district councils have been established, we would not wish to disturb the system so carefully structured. On the same principle, we are not extending the bill to the district council areas of Manipur and areas covered by the Gorkha Hill Council in Darjeeling district of West Bengal.

As regards Union Territories, the bill empowers the President to withhold, extend or modify the application of provisions of the bill to a part or the whole of the union territories. This is designed to ensure that traditional or nascent institutions in areas like the Nicobar Islands, Lakshadweep and Pondicherry are not adversely affected and that the special characteristics of union territories like Delhi are taken into account.

Similarly, in tribal areas, covered by the Fifth Schedule, the Governor in his discretion (and not on the aid and advice of his Council of Ministers) may determine the conditions on which Panchayati Raj would be extended to these areas.

The bill proposes that all State Legislatures bring their state legislation into conformity with the proposed Part Six of the Constitution within a year of the commencement of operation of the amendment. We recognize, however, that Panchayati Raj institutions have been elected in most States, some as recently as this year. The bill authorizes the continuance of these panchayats till the expiry of their terms, unless State Legislatures decide otherwise.

The interregnum between the passage of this bill and the alignment of State legislation with its provisions will, we hope, be used by State Governments to give deep thought to the working of the new system. Panchayats will have to be given the staff they require. We do not propose that the annual confidential reports of the bureaucracy be written by elected representatives, but the district bureaucracy will have to be trained and oriented towards discharging its new responsibilities in changed conditions. We have to build trust and mutual respect between the district bureaucracy and the elected panchayats. At other levels of our democracy, in the states and at the Centre, the bureaucracy and the elected authority have learned to work together in mutual cooperation. Such a harmonious relationship must also subsist between the district bureaucracy and the panchayats. We hope State Government will resist the temptation to effect a cleavage between the regulatory and development functions of district administration. There will have to be coordination because it is only through development administration that a regulating officer can establish the contacts and linkages essential to forestall law-and-order crisis or resolve it when it occurs.

We are deeply conscious, Sir, that this bill restricts itself to democracy and development at the grassroots in rural India. We must extend the same concern to the growing urban and semi-urban population of the country. To this end, Government proposes to bring forward a major legislation in the next session of the Lok Sabha. We shall also turn our attention to recasting, revamping and rejuvenating the cooperative movement, which panditji had always regarded as the essential complement to Panchayati Raj.

Mr Speaker, Sir, we come to this House long after consideration and a national debate without precedent. We have consulted with more than 10,000 representatives of Panchayati Raj institutions from all over the country. We have discussed Panchayati Raj with the bureaucracy at different echelons, including district officers, chief secretaries and secretaries to the Government of India. We have held meetings with Panchayati Raj Ministers and Chief Ministers of States. We have extended the debate to political levels, within party forums and in a Parliamentary consultative committee.

Our proposals are before you but our mind is not closed. In the months to come, we hope there will be intensive debate about these proposals all over the country. We are

prepared to carry forward such discussions with Opposition parties and Chief Ministers. We will, of course, listen with utmost care to suggestions made on the floor of the House. We seek consensus, but we are prepared to face the challenge of confrontation. We shall fight for the right of the people. We shall fight for democracy for the people. We shall fight for development for the people. It is the people of India who are our first and foremost concern.

The proposals we place before the House are not really our proposals. They are the proposals of the people of India. We have drawn on the accumulated experience of Panchayati Raj from all over the country, the good experience as well as the bad, the experience of Congress-run Governments as well as of State Governments run by other parties. This experience has been pooled and churned. Out of this 'manthan' has emerged the 'amrit' which we now propose to share.

Text of Bill

46001469 Madras THE HINDU in English
16 May 89 p 10

[Text] The following is the text of the Constitution (64th Amendment) Bill, 1989:

A Bill further to amend the Constitution of India.

Be it enacted by Parliament in the Fortieth Years of the Public of India as follows:

1. (1) This Act may be called the Constitution (Sixty-fourth Amendment) Act, 1989.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

2. After Part VIII of the Constitution, the following Part shall be inserted, namely:

Part IX

The Panchayats

243. In this Part, unless the context otherwise requires:

(a) "district" means a revenue district in a State;

(b) "intermediate level" means a level between the village and district levels specified by the Governor of a State by public notification to be the intermediate level for the purposes of this Part.

(c) "Panchayat" means an institution (by whatever name called) of self-government for the rural areas at the village level or at the intermediate level or at the district level.

(d) "Panchayat area" means the territorial area of a Panchayat;

(e) "population" means the population as ascertained at the last preceding census of which the relevant figures have been published;

(f) "village" means a village specified by the Governor by public notification to be a village for the purposes of this Part.

243A. (1) There shall be constituted in every State, Panchayats at the village, intermediate and district levels in accordance with the provisions of this Part.

(2) Notwithstanding anything in clause (1), Panchayats at the intermediate level may not be constituted in a State having a population not exceeding twenty lakhs.

243B. (1) Subject to the provisions of this Part, the Legislature of a State may, by law, make provision with respect to the composition of Panchayats;

Provided that the ratio between the population of the territorial area of a Panchayat at any level and the number of seats in such Panchayat to be filled by election shall, so far as practicable, be the same throughout the State.

(2) Save as provided in clause (3), all the seats in a Panchayat shall be filled by persons chosen by direct election from territorial constituencies in the Panchayat area and, for this purpose, each Panchayat area shall be divided into territorial constituencies in such manner that the ratio between the population of each constituency and the number of seats allotted to it shall so far as practicable, be the same throughout the Panchayat area.

(3) The Legislature of a State may, by law, provide for the representation, in such manner and subject to such conditions as may be specified in such law,— (a) of the Chairpersons of the Panchayats at the village level in the Panchayats at the intermediate level, or in the case of a state not having Panchayats at the intermediate level, in the Panchayats at the district level;

(b) of the Chairpersons of the Panchayats at the intermediate level in the Panchayats at the district level;

(c) of the members of the House of the People and the members of the Legislative Assembly of the State representing constituencies which comprise wholly or partly a Panchayat area at a level other than the village level, in such Panchayat.

(4) The Chairperson of a Panchayat and other members of a Panchayat chosen by direct election from territorial constituencies in the Panchayat area shall alone have the right to vote in the meetings of the Panchayat.

(5) The Chairperson of—

(a) a Panchayat at the village level shall be chosen by election in such manner as the Legislature of the State may, by law, provide; and

(b) a Panchayat at the intermediate or district level shall be elected by, and from amongst, the elected members thereof.

(6) Where the Chairperson of a Panchayat has been elected by, and from amongst the elected members of the Panchayat, no resolution by the panchayat for removing him from the office of the Chairperson shall be valid and effective unless such resolution has been passed by a majority of the total number of the elected members of the Panchayat and by a majority not less than two-thirds of such members present and voting.

243C. (1) Seats shall be reserved for the Scheduled Castes and the Scheduled Tribes in every Panchayat and the number of seats so reserved shall bear, as nearly as may be, the same proportion to the total number of seats to be filled by direct election in that Panchayat as the population of the Scheduled Castes in that Panchayat area or of the Scheduled Tribes in that Panchayat area bears to the total population of that area:

Provided that where the population of the Scheduled Castes or, as the case may be, the Scheduled Tribes in a Panchayat area is not sufficient for reservation of any seats, one seat for the Scheduled Castes or, as the case may be, one seat for the Scheduled Tribes shall be reserved in that Panchayat.

(2) As nearly as may be, thirty percent of the total number of seats reserved under clause (1) shall be reserved for women belonging to the Scheduled Castes or, as the case may be, the Scheduled Tribes.

Provided that where only two seats are reserved for the Scheduled Castes or, as the case may be, the Scheduled Tribes, one of the two seats shall be reserved for women belonging to the Scheduled Castes, or, as the case may be, one seat for the Scheduled Tribes shall be reserved in that Panchayat.

(3) Nothing in this Part, shall prevent the Legislature of a State from providing for the reservation of the office of Chairpersons in the Panchayats for the Scheduled Castes, the Scheduled Tribes and women.

(4) The reservation of seats under clause (1) and clause (2) and the reservation of office of Chairpersons (other than the reservation for women) referred to in clause (3), if any, shall have effect till the expiration of the period specified in Article 334 and the proviso thereto shall, so far as may be, apply to such reservations.

(5) As nearly as may be, thirty per cent (including the number of seats reserved for women, belonging to the Scheduled Castes and the Scheduled Tribes) of the total number of seats to be filled by direct election in every Panchayat shall be reserved for women and allotted by rotation to different constituencies in a Panchayat.

243D. (1) Every Panchayat unless sooner dissolved under any law for the time being in force, shall continue for five years from the date appointed for its first meeting and no longer and the expiration of the said period of five years shall operate as a dissolution of that Panchayat.

(2) Where a Panchayat is dissolved before the expiration of its duration, and election to constitute the Panchayat shall be completed, as soon as may be, and in any case before the expiration of a period of six months from the date of such dissolution.

(3) A Panchayat constituted upon the dissolution of a Panchayat before the expiration of its duration shall continue only for the remainder of the period for which the dissolved Panchayat would have continued under clause (1) had it not been so dissolved and, if such period is less than six months, it shall not be necessary to hold any election under clause (2) for constituting the Panchayat.

243E. Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, subject to such conditions as may be specified therein, with respect to—

(a) the preparation of plans for economic development and social justice;

(b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule.

243F. The Legislature of a State may, by law—

(a) authorise a Panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;

(b) assign to a Panchayat such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits;

(c) provide for making such grants in aid to the Panchayats from the Consolidated Fund of the State; and

(d) provide for constitution of such Funds for crediting all moneys received, respectively, by or on behalf of the Panchayats and also for the withdrawal of such moneys there from, as may be specified in the law.

243G. (1) The Governor of a State shall, as soon as may be within two years from the commencement of the Constitution (Sixty-fourth Amendment) Act, 1989, and thereafter at the expiration of every fifth year, constitute a Finance Commission to review the financial position of the Panchayats and to make recommendations to the Governor as to—

(a) the principles which should govern—

(i) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Panchayats;

(ii) the distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees which are to be, or may be, divided between them under this Part and the allocation between the Panchayats at all levels of their respective shares of such proceeds.

(iii) the grants-in-aid to the Panchayats from the Consolidated Fund of the State;

(b) any other matter referred to the Finance Commission by the Governor in the interests of sound finance of the Panchayats.

(2) The Legislature of a State may, by law, determine the qualifications which shall be requisite for appointment as members of the Commission and the manner in which they shall be selected.

(3) The Commission shall determine their procedure and shall have such powers in the performance of their functions as the legislature of the State may, by law, confer on them.

(4) The Governor shall cause every recommendation made by the Financial Commission under this article together with an explanatory memorandum as to the action taken thereon to be laid before the Legislature of the State.

243H. (1) The accounts of the Panchayats shall be kept in such form as the Governor may, on the advice of the Comptroller and Auditor-General of India, prescribe.

(2) The Comptroller and Auditor General of India shall cause the accounts of the Panchayats to be audited in such manner as he may deem fit and the reports of the Comptroller and Auditor-General shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

243I. The superintendence, direction and control of the preparation of electoral rolls for, and the conduct of, all elections to the Panchayats shall be vested in the Election Commission.

243J. Subject to the provisions of this Part, the Legislature of a State may, from time to time, by law, make provision with respect to all matters relating to, or in connection with, elections to the Panchayats including the preparation of electoral rolls, the manner in which the electoral rolls for the time being in force for the territorial constituencies referred to in article 325 may be used for such preparation, the delimitation of constituencies and all other matters necessary for securing the due constitution of such Panchayats.

243K. (1) The provisions of this Part shall apply to the Union Territories and shall, in their application to a Union Territory, have effect as if the references to the Governor of a State were references to the Administration of the Union Territory appointed under Article 239 and references to the Legislature or the Legislative Assembly of a State were references, in relation to a Union Territory having a Legislative Assembly, to that Legislative Assembly.

(2) Notwithstanding anything in clause (1), the President may, by public notification, direct that the provisions of this Part shall not apply to any Union Territory or any part thereof or shall apply to any Union Territory or part thereof subject to such exceptions and modifications as he may specify in the notification.

243L. (1) Nothing in this Part shall apply to—

(a) the states of Nagaland, Meghalaya and Mizoram;

(b) the Scheduled Areas referred to in clause (1), and the tribal areas referred to in clause (2), of Article 244;

(c) The Hill Areas in the State of Manipur for which District Councils exist, and the Hill Areas of the District of Darjeeling in the State of West Bengal for which the Darjeeling Gorkha Hill Council exists, under any law for the time being in force.

(2) Notwithstanding anything in this Constitution,—

(a) the Legislature of a state referred to the subclause (a) of clause (1) may, by law, extend this Part of that State, except the tribal areas, if any, referred to in sub-clause (b) of clause (1), if the Legislative Assembly of that State passes a resolution to that effect by a majority of the total membership of that House and by a majority of not less than two-thirds of the members of that House present and voting;

(b) the Governor of a State may, in his discretion and subject to such exceptions and modifications as he may specify, by public notification, extend this Part to the Scheduled Areas, referred to in clause (1) of Article 244, comprised within that State.

243M. Notwithstanding anything in this Part, any provision of any law relating to Panchayats in force immediately before the commencement of the Constitution (Sixty-fourth Amendment) Act, 1989, which is inconsistent with the provisions of this Part, shall continue to be in force until amended or repealed by a competent Legislature or other competent authority or, until the expiration of one year from such commencement, whichever is earlier.

Provided that all the Panchayats existing immediately before such commencement shall continue till the expiration of their duration, unless sooner dissolved by a resolution passed to that effect by the Legislative Assembly of that State or, in the case of a State having a Legislative Council, by each House of the Legislature of that State.

After the Tenth Schedule to the Constitution, the following Schedule shall be added, namely:—

Eleventh Schedule (Article 243E)

1. Agriculture, including agricultural extension. 2. Land improvement and soil conservation. 3. Minor irrigation, water management and watershed development. 4. Animal Husbandry, dairying and poultry. 5. Fisheries. 6. Social forestry and farm forestry. 7. Minor forest produce. 8. Small scale industries, including food processing industries. 9. Khadi, village and cottage industries. 10. Rural housing. 11. Drinking Water. 12. Fuel and fodder. 13. Roads, culverts, bridges, ferries, waterways and other means of communication. 14. Rural electrification, including distribution of electricity. 15. Non-conventional energy sources. 16. Property-alleviation programmes. 17. Education, including primary and secondary schools. 18. Technical training and vocational education. 19. Adult and non-formal education. 20. Libraries. 21. Cultural activities. 22. Markets and fairs. 23. Health and sanitation, including hospitals, primary health centres and dispensaries. 24. Family welfare. 25. Women and child development. 26. Social welfare, including welfare of the handicapped and mentally retarded. 27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled tribes. 28. Public distribution system. 29. Maintenance of community assets.

Statement of Objects and Reasons

A review of the working of Panchayati Raj Institutions has shown that in many States they have become weak and ineffective owing to a variety of reasons, including the failure to hold regular and periodical elections,

prolonged supersessions, inadequate representation to the weaker sections like the Scheduled Castes, the Scheduled Tribes and women, lack of financial resources and inadequate devolution of powers and responsibilities on them.

2. Having regard to the inadequacies in the existing system, and keeping in view the Directive Principle of State Policy enshrined in Article 20 which aims at endowing Panchayats with such powers and authority as are necessary to enable them to function as units of self-government, it is proposed to add a new part to the Constitution relating to the Panchayats.

3. The Bill proposes, inter alia, to:

(a) make it obligatory for all States to establish a three-tier system of Panchayats, at the village, intermediate and district levels; however, States having a population of less than 20 lakhs would not be obliged to establish Panchayats at the intermediate level;

(b) provide for all seats in Panchayats at all levels to be filled by direct election; however, the State Legislatures may provide for the representation in Panchayats without voting rights of Members of the House of the People and of the Legislative Assembly, and Chairpersons of Panchayats at the immediate lower level;

(c) provide for reservations to ensure the due representation in the Panchayats of the Scheduled Castes, Scheduled Tribes and women;

(d) ensure a fixed tenure of five years for the Panchayats. However, if a Panchayat is dissolved before the expiry of its term, provision is made for the conduct of elections within a period of six months of the dissolution to reconstitute the Panchayat for the remainder of the term;

(e) provide for the devolution by the State Legislature of powers and responsibilities upon the Panchayats with respect to the preparation of plans for economic development and social justice and for the implementation of development schemes.

(f) provide for the sound finance of the Panchayats by securing authorisation from State Legislatures for grants-in-aid to the Panchayats from the Consolidated Fund of the State, as also assignment to, or appropriation by, the Panchayats of the revenues of designated taxes, duties, tolls and fees;

(g) provide for the constitution of Finance Commissions in the States every five years to review the finances of the Panchayats and recommend principles on the basis of which State Legislatures may determine the taxes to be appropriate by, or assigned to, the Panchayats, as also grants-in-aid to the Panchayats from the Consolidated Fund of the State;

(h) vest in the Election Commission the superintendence, direction and control of elections to the Panchayats at all three levels;

(i) empower the Comptroller and Auditor-General of India to cause the accounts of the Panchayats audited in such manner as he may deem fit; and

(j) exempt certain States and tribal areas and other territories from the application of the provisions of the Part IX or empower the President and the Governor to modify them in their application to Union territories and Scheduled Areas, respectively.

4. The Bill seeks to achieve the aforesaid objectives.

PAKISTAN

Text of Budget Speech

46000152c Islamabad THE MUSLIM in English
4 Jun 89 p 6

[Text] "I seek your permission to present the budget of the People's Government for the year 1989-90.

2. [as published] Last time, when I presented the budget for 1988-89 in this August house, the main objective of that was to meet a constitutional obligation. We had thus not only to own the budget as formulated by the previous regime but also dealing with an economy in shambles. The treasury was empty and the balance of payment position so precarious that if we had not gone along the package finalized by the previous Government with the IMF, we would have had no breathing time to really understand and correct the mess that we inherited.

3. I do not wish to dwell unduly on the dismal legacy inherited by us in December, 1988. However, the constraints faced by our Government need to be brought to the notice of the people of Pakistan.

- The national debt had reached the astonishing figure of Rs 500 billion. About half of the national debt was repayable in foreign exchange.
- Interest payments on national debt amounted to Rs 36.7 billion in 1988-89. Interest payment liability had doubled during the four-year period from 1984-85. The financing of excessive deficits had created a vicious circle. The deficits led to larger borrowing which further increased the next year's deficit.
- The balance of payments recorded current account deficit of \$1.7 billion in 1987-88 which was 100 percent more than the preceding year. The cash foreign exchange reserves stood at \$272 million at the end of November, 1988, barely sufficient to meet import liabilities for two weeks.
- The expenditure on development remained inadequate. The social sectors were neglected, resulting in deplorable literacy level and poor health facilities. The infrastructure was in a poor state. The generation of electricity was lagging behind demand.

- Parallel economy had grown, while legal economy was shrinking. Economic morality had badly decayed and illegal economic activities had gathered momentum. Smuggling, drug trafficking and the emergency of Kalashnikov culture was threatening the basic moral fiber of the society.
- During July-November, 1988, the Price Index recorded a cumulative increase of 7.2 percent, indicating a disturbingly high annual rate of inflation.
- The budgetary deficit combined with the deficit in the balance of payments was leading the country to the verge of insolvency. The overall deficit in the Budget had reached a figure of Rs. 58.6 billion in 1987-88. Roughly one-third of the expenditure was met by borrowing. The deficit financing from July to November, 1988, the first five months of the current fiscal year had reached a high level of Rs 8.6 billion, indicating an annual rate of more than Rs 20 billion. The free spending habits of the previous Government which has resulted to such heavy deficit financing is one of the major factors underlying the general increase in prices. Had we allowed the deficits to continue, the resulting inflation would have been much worse than has been witnessed.

4. The Government took a series of decisive actions intended to contain the crisis. To end uncertainty, the budget already under implementation was presented to the National Assembly and put on a constitutional footing. Controversy with trade and industry over new tax measures was settled. Financial discipline was restored with strict control over expenditure and vigorous efforts to collect taxes and foreign exchange reserves were beefed up by careful management.

5. The first six months of Peoples Party Government have witnessed an improvement in the situation. At least the immediate crisis has been averted. The problems which have grown over a decade would not vanish overnight. Measures have, nevertheless, been initiated to build the base for a healthy economy and their early impact can be seen:

- Rate of monetary expansion has been brought down from 12.25 percent in 1987-88 to 1.6 percent in the current year upto the end of April, 1989. Thus we have prepared the economy for moving towards substantially lower rates of inflation.
- The budgetary deficit and Government borrowing from the banks has been drastically reduced. Government bank borrowing (which is also known as deficit financing) had reached a high level of Rs. 8.6 billion during the period 1st July 1988 to end November 1988. Now the position is that we have not only not resorted to any bank borrowing but also wiped out the deficit incurred by the previous Government upto November 1988.
- Immediate efforts were directed towards improving the supply of essential commodities. As much as 1.8 million tons of wheat was imported and distributed

throughout the country within a short span of 4 months.

- Similarly import of tea, pulses, red chillies and powdered milk was arranged by amending the Import Policy.
- Inflation which had been witnessed this year was the result of actions and policies taken in the past. The effect of all action does not emerge immediately. For example seeds sown today yield a harvest after months. Similarly there is always a time lag between the large scale deficits incurred by the Government and its effect on prices. The price increases witnessed this year was the result of lavish spending in previous years. And then again there is a time lag between corrective action taken by the Government and stabilisation of prices. Thus we expect that as a result of the actions initiated by us from December 1988 the prices should now stabilise.
- Industrial countries are prepared to lend economic and financial support. The investment climate has improved substantially. Investors' confidence is reflected in the behaviour of the Stock Exchange.

6. The economy did receive the attention of the Government on a priority basis because the problems are urgent. However, the economy is not the only item on our agenda. The economy cannot be reshaped and economic ills cannot be cured without addressing the basic maladies affecting society. In this spirit the Press and the Media have been freed. Supremacy of the constitution has been established. The problem of maintenance of law and order which attained disastrous proportions is being tackled through a lot more effort and patience would be required to bring society back to normalcy. Trade Unions and Students' Unions have been revived so that these important segments of society can also play their role in a free and democratic country.

7. As we move towards next fiscal year, we need to continue to tackle the structural imbalance of the fiscal system so that the economy can be put back on the rails.

8. The basic objectives for the economy—the control of inflation, reduction in the budgetary deficits and a better balance in the external payments are national objectives that we fully believe in and I am sure are shared by all Pakistanis irrespective of their political affiliation. We accepted the IMF programme because an international commitment had been made by the Government of Pakistan and we wanted to honour all past commitments. But we also accepted the arrangements with IMF because the IMF is seeking to help us achieve objectives of financial stability and fiscal reform. As the IMF agreement contained rather stiff conditionalities, we immediately entered into negotiations with the IMF to soften the conditionalities. I am glad to report that we were successful in convincing the IMF that we should adopt a more gradual path towards fiscal reform. The IMF agreed with us that the deficit could be up to 6

percent instead of 5.5 percent in 1989-90. After this amendment, taxation to the extent of about Rs 4.65 billion would be less in the Budget.

9. In devising the programme for 1989-90, the Government had three options. The easiest option was to produce a soft budget and gain popularity. This would have meant heavy reliance on domestic and foreign borrowing which is not good for economy. It would also have led to further depletion of our meagre foreign exchange reserves. Our relations with the international financial community would have deteriorated and our credit-worthiness eroded. We would have been compelled to seek emergency assistance on much harsher terms.

10. A second option was to meet all the development requirements, to implement major welfare programmes of the People's Party and allow other non-productive expenditures to grow in the usual manner. But this option required a massive resource mobilization effort of over Rs 21 billion. The Government regarded this to be too ambitious and it would have involved an intolerable level of sacrifices.

11. We have opted for the third option of a middle course. The deficit for the budget would be reduced, in a balanced manner i.e. through expenditure restraint and moderate resource mobilization.

12. We have made 1989-90 fiscal year, a year of austerity. There were serious complaints regarding inadequacy of development allocations by federal agencies and the provincial governments, but we had to resist most of these demands firmly. Regarding the non-development expenditure, we were convinced that it must be cut because there is a lot of waste in government spending. As such for the first time expenditure on running of the Federal Government has been reduced from the budgeted level of Rs 20.2 billion to Rs 17.3 billion. Actually the restraint on non-productive civil expenditure is about Rs 6 billion if one were to observe that its normal growth would have taken it to Rs 22 billion in 1989-90.

13. In the context of this austerity programme, we have decided to enforce economy measures. It may be surprising for most of us to learn that Federal Government's expenditure on stationery has been increasing at a compound rate of 74 percent per annum and stood at Rs 141 million for 1987-88. Similarly expenditure on gifts and entertainment has risen at a compound rate of 58 percent per annum. POL [expansion unknown] charges at 60 percent per annum and telephone and trunk calls at 93 percent per annum. On repair and maintenance of civil government transport alone the Government is spending about Rs 1 billion.

14. The People Government which considers the tax payers money to be an "Amanat" obviously cannot allow the lavish style of spending of the last decade. Cars,

telephones and other Government assets are badly misused. In the spirit of enforcing austerity we have decided that all such expenditure which is not justified should be cut out or drastically reduced. Savings on account of these measures could be in crores.

15. Sir, you would appreciate, that there are certain areas where expenditure reduction is not desirable. Defence expenditure is one of them. It occupies priority No 1 and there can be no compromise on ensuring that the defence requirements of the country are fully met.

16. Mr. Speaker, so for I have been talking about current expenditure. Let me now turn to the Development programme. In order to achieve sustained and high level of growth, it is necessary to achieve a high level of investment in the economy. While it is the policy of our Government to encourage the private sector to the maximum extent, the Government to has increased its investment on development programme. The public sector corporations, outside the budget are expected to spend Rs 15 billion during 1989-90 as against the allocation outlay of Rs 9 billion during the current fiscal year. The Public Sector Development Programme financed from the Budget has been kept at Rs 56 billion out of which Rs 39.9 billion or 71 percent is allocated for Federal Programmes and the balance for Provincial Programmes.

17. In determining priorities, the Government have placed great emphasis on Education, Rural Development and Power sectors.

18. Provision of basic education is today the most fundamental duty of the State. It has been ignored for long. We intend to give it a boost. Thus allocation for the Education sector has been increased from Rs 1.17 billion in 88-89 to Rs 1.97 billion in 89-90 i.e. a 68 percent increase. Out of this a major part of Rs 1.1 billion would be devoted to primary education. Along with emphasis on basic education, technical and vocational training will get greater attention. Important new initiatives are also being taken in the development of science and technology and a new institution called Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology will be set up in Islamabad for which an allocation of Rs 20 million has been made for 89-90.

19. Power sector is in a deplorable condition due to gross neglect and mismanagement by the previous regime over the last seven years. No major projects for generation of power were launched. There was no coordinated policy for hydroelectric developments, for which immense potential exists on River Indus and its tributaries. The Kalabagh Dam Project was turned into a politically controversial subject. No work was done for the collection of data and design for Basha, Dassu, Thakot and Kohala dam sites, and neither were the smaller hydro-electric projects developed.

20. The present regime is committed to end load-shedding and to take the nation out of darkness of power black-outs. Daily load-shedding of 1800 MW (26.5 million KWH) is meant a loss of revenue of Rs 18 million every day and the cost to the economy in production losses of Rs 240 million per day. Given the power shortage situation, we have evolved a strategy that ensures the least adverse costs to the national economy. We regret the discomfort to the public but we are trying to minimise its extent. Outages have been reduced drastically. Holidays have been staggered. Air conditioners in government offices are closed for specified periods. With the rise in the water levels, load-shedding is expected to be minimised by 15th June and completely eliminated by end June, 1989.

21. The present Government is committed to solving Power problems on a long-term basis. The Power programme has been allocated Rs 16.3 billion in 1989-90 as against Rs 13.7 billion in 1988-89 i.e. an increase of 19.2 percent. Within this programme, we shall launch the following initiatives:

- Indigenous coal and low quality gas will be used on a large scale for the Power Generating Plants to be set up in the future.
- Priority will be given to short-gestation Hydel Projects which can be implemented within 3 years.
- After the agreement on water apportionment has been reached, work on Kalabagh and Basha dams will be initiated in a systematic manner.
- The Government will fulfill its promise of providing electricity to largest number of villages according to a phased programme in which the elected representatives will be fully involved.

22. In order to supplement Government's effort towards eliminating electricity shortages it has been decided to induct private sector in power generation in a big way. We shall remove all bureaucratic cobwebs for early commencement of 1200 MW Thermal Plant at Hub Chowki. An additional 310.5 MW generation is also planned for the private sector. Towards this end a Private Sector Energy Development Fund has been established in the NDFC [National Development Finance Corporation] with the help of World Bank which is providing a loan of US\$150 million. Other international funding agencies have also shown interest and more funds are expected for this purpose. These funds will be used solely for utilisation by the private sector for power generation and energy projects.

23. Among the Programmes where the Government is seeking to reach the people directly, the most important is the People's Development Programme. I had clearly stated in my Budget Speech in December 1988, that even if we had to hold back other initiatives, we would quickly initiate People's Development Programme. This initiative had met with the approval of the House. I am surprised over the subsequent controversy. Political

opponents have obscured the basic significance of the programme by partisan attack while ignoring the fundamental point that we want to improve the lot of poor and the needy.

24. The programme represents the first sizable effort at taking development effort to the grassroots, providing opportunity for local effort to satisfy local needs, evoking popular participation, and making the economic development process visible and meaningful throughout the length and breadth of the country. The programme has immense potential for the future, in transforming popular attitudes and mobilising effort and savings for development. The programme will generate employment and help to alleviate poverty. The provision for the programme is being enhanced to Rs 3 billion for the next year.

25. In agriculture sector we will continue with the price support policy for maintaining a proper balance between the input prices and the prices obtained by the farmer for his produce.

26. As our farmers are exposed to natural calamities which can result in the loss of his crops and heavy financial losses, it is imperative that a system be introduced for protection of their economic life. Since this is an untested and difficult area, the Government has asked the Agriculture Development Bank of Pakistan to undertake a pilot project in order to gain experience for subsequent widening of the scope of crop insurance. For undertaking this project the Government will provide Rs 30 million to the Agricultural Development Bank of Pakistan.

27. The Government is very concerned about the level of unemployment. This is partly because of return of our workers from Middle East. But mainly this is because of past apathy towards developing economy on sound footings. While the Government is making efforts to get employment for our workers in different Middle East countries, it is more important to generate employment opportunities in Pakistan. As a result of the Government's policy of industrialisation, especially the focus on cottage industries and involvement of the private sector in setting up new industrial units, we expect that substantial new employment opportunities will be created in the urban areas. The education and skills development programme, along with the Peoples Programme will give rise to accelerated employment in the rural areas. This employment will be generated as a result of the normal development programme of the Government and through the investments made in the private sector. In order to augment the creation of more job certain specific measures are also being taken by the Government. These include:

- i) To encourage the establishment of agro-based industries in rural areas, the Agricultural Development Bank of Pakistan and the nationalised banks will set apart Rs 1.2 billion during the next year.

ii) The Small Business Finance Corporation, which is being renamed as Peoples Finance Corporation, provides loans to doctors, engineers and other educated youth. The Government will increase its equity and provide it with enhanced allocations so that it can help more people to set up their own businesses.

iii) The operation of the Youth Investment Promotion Society is also being strengthened and its operations enlarged.

29. It is well known that for rapid growth, the industrial sector plays the most predominant role. The Government does not believe in a dogmatic approach and consistent with its objectives it wants the private sector to lead the country to rapid industrialisation. In consonance with this approach, the Government has already announced the new Industrial Policy under which sanctioning procedures have been liberalised and financing arrangements have been decentralised. In this context, the Government will ensure provision of all essential services in approved industrial estates as well as in backward areas. In respect of large scale industry, the setting up of which is urgently required, the Prime Minister has taken the initiative to constitute a high powered Board of Investment chaired by herself which will consider investment proposals of Rs 1 billion and above. The House would be glad to know that eight projects have already been sanctioned by the Board. The investment environment has improved distinctly and some foreign investors are looking at Pakistan with interest. We are confident that given the profitable opportunities for investment and the liberalised procedures private industrial investment will exceed the target of Rs 21.4 billion fixed for the next year.

29. [as published] As I mentioned earlier, private sector have a major participative role in the development of the economy in the year ahead. We want them to play a significant role in the development of infrastructure such as power generation, highway construction, etc. Indus Highway for which substantial Japanese aid is available is one of the major projects which the private sector can undertake.

30. In the spirit of enhancing the association of the private sector in the development effort, a break-through will be attempted with a fresh concept of privatisation of public sector assets. The object is not merely to raise money for Government but to ensure wide and dispersed ownership of industrial share through a quantum leap in the development of Pakistan's capital markets by bringing hundreds of thousands of small savers into share ownership for the first time. In pursuing such a privatisation policy, the Government will be following the example of government throughout the world who have used privatisation through sales to small investors and workers as a means of achieving market disciplines

without the risks of concentrated ownership. Privatisation will be done in a phased programme. In 1989-90 we expect to sell Government owned shares and assets of about Rs 1.5 billion.

31. To discourage malpractices in the allotment of new shares and encourage wider ownership of shares, the Government has decided to increase the minimum size of application for purchase of shares of public limited companies to Rs 5,000. This has been done with a view to facilitate share allocation to small investors and to ensure better surveillance.

32. In pursuance of its objectives to fully activate and expand the private sector and the Capital markets, the Government have decided to allow setting up of a Stock Exchange in Islamabad.

33. In order to ensure availability of funds to the local industrial enterprises and to strengthen the brotherly relations with UAE [United Arab Emirates], a Pak-UAE joint venture investment company is being established for the industrial development of our country. This company shall have an authorised capital of Rs 500 million and would start its operations in financial year 1989-90.

34. In order to augment generation of domestic financial resources for industrial development and to bring the domestic private sector back into the field of money and finance, the Government has allowed six private sector parties to establish Investment Finance Banks. This has been done in fulfillment of Government commitment to liberalise and expand the financial sector and it will not only ensure adequate supply of money to private sector. Moreover, the Government has also recently relaxed financing policy for the new comers in industry. For genuine new comers who do not own a major industry, the following relaxations have been made:

(a) their project shall normally be financed at a debt equity ratio of 70:30.

(b) the condition of deposit of cash equity has been dispensed with and the rules in force prior to 1984 have been restored.

35. In my last budget speech in December, 1988 I had allocated Rs 500 million for Workers Welfare Fund for the construction of housing units for workers. So far 7211 housing units have been constructed out of this Fund. We propose to increase the pace of construction of housing for labour in the next fiscal year.

36. Provision of shelter to the ordinary citizen of the country is of paramount importance for the elected government. It is committed to it in its manifesto. Appreciating the difficulties of the low income groups the government notwithstanding, the financial constraints has decided that the balance of interest in cases

of windows who had been granted housing building loans by HBFC [House Building Finance Corporation] up to Rs 50,000 and had paid interest amounting to 40 percent against the principal amount, would be written off.

37. The main obstacles in the way of developing housing finance have been lack of national resources and hesitance by the private sector to participate in this sector. Now with new initiatives in this direction housing finance is being made a viable and progressive sector through mobilization of indigenous resources and with the assistance of International agencies like USAID [United States Agency for International Development], the World Bank, Asian Development Bank and the International Finance Corporation (IFC). Policy instruments are being designed to ensure greater participation of the private sector in housing finance, enhancement of domestic savings, establishment of housing finance institutions, replacement of government subsidy with market oriented housing finance.

38. An amount of Rs 2046 million has been placed at the disposal of House Building Finance Corporation for disbursement of loans during the coming financial year. Another Housing Finance Corporation is being established with a tentative equity of Rs 125 million. The National Investment Trust [NIT] has also prepared a scheme for establishing a public limited company on the stock exchange. The initial paid-up capital to be subscribed by the sponsors will be Rs 100.00 million. The company will be sponsored by NIT in collaboration with DFI [Direct Foreign Investment]s, Asian Development Bank and the private sector. Keeping in view the Prime Minister's directive that half a million houses should be built every year, it has been decided that half a million plots will be developed and made available during the next year, 1,50,000 plots in urban areas and 3,50,000 in rural areas.

39. The Government gives great importance to the health sector. We have devised policies for a major reform with primary emphasis on rural health. Health service will be decentralized at the District and Tehsil level with the District Health Board seeking to increasing community participation. Family planning services will be made available from all health outlets. The Government would like to see private investment to take place in the health sector at a pace faster than in the past.

40. Mr Speaker, as you know provision of infrastructure especially in the communication sector is essential to economic growth. Telephone is now an essential service for any social or economic activity. In order to cater to the ever growing demand the Government have allocated Rs 3750 million to expand the telephone network. In order to accelerate the provision of telephone facilities the Government would welcome concrete proposals from the private sector.

41. To facilitate development of the coastal areas of Baluchistan, it is necessary to improve the existing infrastructure of roads. It has therefore been decided to start construction work on Pasni Ormara road. In order to undertake preliminary work prior to starting full scale construction an allocation of Rs 10.0 million has been provided for 1989-90 for the Pasni Ormara road project.

42. A locomotive manufacturing factory has been under construction in Risalpur in NWFP [North-West Frontier Province]. However, its progress has been slow. To speed up the project an amount of Rs 216.0 million is being provided in the next year's ADP [Annual Development Program]. It is expected that the project will be completed in three years and Pakistan will achieve a measure of self-sufficiency in producing diesel-electric locomotives.

43. The Lowari Tunnel Project was conceived during the first Government of the Pakistan People's Party and was aimed at providing all weather road link to Chitral. But during the last regime this project was abandoned. The project is important as it would help in social and economic uplift of the people of Chitral and also encourage tourism. For preliminary study and initial work, an amount of Rs 30.0 million is being provided during 1989-90.

44. Northern Area of Pakistan had been neglected in the past. For six months in a year these areas remain under snow and no business activity can be undertaken. These areas could, therefore, not be developed because of high cost of capital and due to the fact that any industry established in these areas could not be operational for more than six months. Realising inaccessibility, lack of infrastructure and seasonal nature of most of the business undertaken in these areas, the Government has decided to provide concessionary finances at a mark up to 6 percent per annum to finance mineral exploration projects, hotels, manufacturing of furniture and food processing, etc.

45. Mr. Speaker, the balance of payments position is the key to national credit-worthiness and solvency. The balance of payments came under serious pressure due to decline in export earnings which during the first half of 1988-89 were hardly 1 percent above the corresponding period of the last year. Imports on the other hand, increased by 14 percent including the abnormal import of food-grain.

46. In March 1989, however, exports increased by 12 percent, followed by 24 percent increase in April. Growth in imports was also checked. The balance of trade during 88-89 would, therefore, be less adverse and current account deficit would be lower than anticipated a few months ago.

47. Growth in exports occupy a pivotal position in our economic policy. Control over inflation and maintaining of flexible exchange rates will provide competitive

strength to Pakistan's exports. We have fixed a target of 13 percent growth in exports in physical terms during 89-90. In this connection emphasis is being laid on diversification of exports. Moreover, intensive effort is being made to obtain larger export quotas from developed countries for our textile etc. The business community can flourish if it is provided requisite infrastructure facilities.

48. Faisalabad is one of the largest export centres of Pakistan and we propose to help its people enter export business directly rather than going through other exporters. For this purpose it has been decided to open a Dry port at Faisalabad for export. Similarly a dry port would be set up at Rawalpindi.

49. Mr. Speaker, before I turn to the revised budgetary position for 1988-89 and the estimates for 1989-90, I would like to explain the much talked of budgetary relationship between the Centre and the Provinces. Article 160 of the Constitution provides for the constitution of a National Finance Commission (NFC) after every five years for the purpose of deciding the formula for the distribution of taxes such as Income Tax, Sales Tax, Export Duty on cotton, Royalty and Federal Excise on Gas. The formula currently in operation is the one decided in 1975. Ever since Commissions have been set up but none could come up with an agreed Report. The Prime Minister has requested the President to constitute a new Commission. In response to President of Pakistan's letter, nomination from three provincial Governments have been received. As soon as nomination from the fourth Provincial Government is received, the National Finance commission will commence its deliberation. In the absence of an Award for distribution of taxes the Federal Government has itself to decide about the provincial deficits. Thus while in 1981-82 the provinces threw up a surplus of Rs 164 million for 1988-89 revenue deficit of Rs 18.1 billion was estimated.

50. After meeting the constitutional obligation of giving to the Provinces their share is the pool of Divisible Taxes the Federal Government is still providing them the non-obligatory grants. For 1989-90 the quantum of these grants will be so adjusted that together with their share in the divisible pool, the total transfers would be almost the same level as in 1988-89. This policy is in line with the federal Government's policy of restraining its over non-development expenditure which I mentioned earlier in my speech.

51. Regarding the Development Budget, the Federal Government has in the past been providing loans and some grants to the Provinces. But there is no obligation to do so. In view of the resource constraint, the Provincial Public Sector Development Plan for 1989-90 had to be kept at the level of the current year. The Federal Development Programme had to be raised for meeting the urgent requirements of important sectors like power, education, Peoples Programme, etc., and let me remind that the sole beneficiaries of these increased investments

will be the same people living in the Provinces who voted for all of us and who are not concerned which agency provides them a school, a hospital, an electric line, etc. However, if the provinces want to increase the size of their Public Sector Development Programme, the Federal Government can have no objection whatsoever provided they can meet the increased expenditure by raising additional resources on their own but without resort to deficit financing. There is substantial room for the provincial government for raising taxes in areas like agriculture, property taxes and user charges.

52. I hope we all will appreciate that the matter regarding Federal-Provincial financial relationship has been blown out of all proportions. In fact, the proposals for raising resources that I will shortly present will be made only because of the deficit requirement of the Provinces. Left to itself the Federal Government does not need to raise any new taxes in 1989-90.

53. Mr. Speaker, let me now take up the budgetary position 1988-89 and the estimates of 1989-90. Net revenue receipts of the Federal Government were estimated as Rs 128.01 billion. Expenditure of the Federal Government was estimated at Rs 124.88 billion leaving a surplus of Rs 3.13 billion. Non-obligatory grants of Rs 18 billion to provinces, converted a surplus into a deficit of Rs 15 billion.

54. During the period December 1988 to now, a number of developments took place which adversely affected the budgetary position:

(a) As a result of increase in C&F price of crude oil, development surcharge receipts fell from budgeted Rs 13.9 billion to Rs 10.4 billion.

(b) Expenditure on debt servicing increased from Rs 44.6 billion to Rs 47.9 billion.

(c) Expenditure on subsidies increased from Rs 6.9 to Rs 8.3 billion because of imported wheat.

(d) On the plus side is a quantum jump in External Assistance which is explained by a favourable response of the international community to the restoration of democracy in the country. Larger commitments have now been made by the Consortium, the Asian Development Bank and the World Bank for the next year.

55. For the fiscal year 1989-90, net revenue receipts are estimated at Rs 123.6 billion. Revenue expenditure of the Federal Government for 1989-90 is estimated at Rs 140.4 billion showing an increase of Rs 10.8 billion which is less than the increase of Rs 11.6 billion that has occurred on account of 'Debt Servicing' which is estimated to increase from Rs 47.9 billion to Rs 59.5 billion i.e. 24 percent increase.

56. As I mentioned earlier, expenditure on running of civil government has been reduced to Rs 17.2 billion. With capital receipts of Rs 26.2 billion, surplus of autonomous bodies of Rs 3.5 billion, foreign assistance of Rs 41.0 billion, we are faced with a gap of Rs 11.8 billion. The gap will however increase further on account of relief measures that I am going to announce now.

Drift Seen in Foreign Policy

46000153a Peshawar *THE FRONTIER POST*
in English 25 May 89 pp 1, 8

[Article by Sikander Hayat]

[Text] Islamabad—National consensus that had underwritten Pakistan's foreign policy all these years seems to be giving way to erosion. Even the fundamental issues long settled are being exposed to conflicting opinions. Distinctively, while the opposition in the Parliament faithfully articulates late president Zia-ul-Haq's perceptions, the treasury benches tend to give a new orientation to the country's foreign policy—but not necessarily reflecting the ethos of ruling party's own philosophy and its much-trumpeted Elan. What this new orientation is could be easily seen in the speech made by foreign Minister Sahabzada Yaqub Khan while winding up Monday night the two-day debate on the foreign policy.

The two issues that dominated the debate were the government's hesitation in according recognition to the Afghan interim government and growing relationship with India. Since the government has virtually no presence in the Senate, the official point of view could be assessed only from the Sahabzada's speech, much though it was laced with opaque diplomatic jargon. But the opposing opinion was loud and clear, lucidly given out by speaker after speaker, in the discussion described by the foreign minister himself as thoughtful and of high order. Third view, although representing a very small segment of opinion in the upper house, was expressed most succinctly by the ANP [Awami National Party]'s senator, Mr Bashir Ahmad.

Sahabzada in his opening speech had argued that recognition to the interim Afghan government could not be given for three reasons. First, the interim government is not yet broadbased enough as envisaged by the Geneva accords. Two, recognition by Pakistan would only strengthen the accusations that interim government is Pakistan's own creation. Third, the interim government should have its headquarters inside Afghanistan. Short of recognition, he reasoned, Pakistan is giving the interim government all possible facilities. But he reiterated Pakistan government's commitment to promote political settlement, and not to force a military solution.

Winding up the debate, the foreign minister also defended the non-recognition stand. He also rejected the parallelism that seems to exist between the PLO recognition and the interim government's cause. Analogy between the two, he argued, was not apt. The PLO has

been recognised by the whole spectrum of world bodies and international opinion. He also rejected the charge that recognition was being withheld at the behest of India. This is not the policy. Beyond that the foreign minister was not ready to volunteer anything, saying "I will not cross the brink in an open debate...on what brought our policy to its present exposition." He has asked for a camera meeting of the Senate's foreign relations committee for a comprehensive discussion of the issue of recognising the interim government.

The foreign minister while defending the growing rapprochement with India was not defensive, yet he lacked the clarity that characterised his earlier stances on the Pakistan-India relationship. For instance, on the occasion of SAARC [South Asian Association for Regional Cooperation] summit he showed clearly the divergence that obtained between his perception and that of the prime minister on various issues between the two countries. Except for Kashmir on which he took a strong line in accordance with the UN resolutions and Simla agreement he tended to propound the "correct approach" taken by the present government to ease tension in the region.

The opposition to the official postures on various foreign policy questions has not been only strident and forceful but also expressive of the continuity which earlier was promised by the present government. Opening the discussion opposition leader in the house, Mohammad Ali Khan, said that survival of Pakistan lies in its strong defence. Without this India, which has strong, irresistible hegemonic ambitions, would like to act as the policeman in the entire region of South Asia as well as the Gulf. Tariq Chaudhry pointed out the confusion that he said had beset the foreign policy formulations. Pakistani leadership he alleged is bending backward to welcome friendship with India at a cost which is harmful to very existence of the country. He called for a nuclearised Pakistan because only that would ensure complete defence against hegemonic India.

Two most powerful expositions of the opposition point of view on the foreign policy were, however, made by Prof Khurshid Ahmad and Asif Fasihuddin Wardag. Prof Khurshid pointed out three strategic drifts in the execution of foreign policy. One, on Afghanistan the government has made a serious departure at this crucial juncture when the mujahideen have forced the Soviets to withdraw and are so close to total victory. He said recognition at this time is the interim government's strategic necessity. It is a contradiction that we are asking for a seat for them at the NAM [Nonaligned Movement] but ourselves not yet ready to accord them recognition....A courtesy Pakistan had shown to liberation struggles of Palestinians, Indonesians, and Algerians. As for territorial presence inside Afghanistan is concerned he said mujahideen are in complete control of five provinces.

Second strategic drift pointed out by Prof Khurshid is the growing detente with Indians who are taking the place of Soviets in Afghanistan. "Government of Pakistan for all practical purposes has accepted the Indian hegemony", a fact which is in negation of our existence. Now when Indonesians, Malaysians and Australians are showing concern at India's expansionist designs, United States urges Pakistan is accepting India's regional predominance, the professor reasoned. Under Zia and Junejo Pakistan used SAARC as antidote to India's bigness, but no more. Prof Khurshid also quoted K. Subramaniam, the godfather of Indian strategic thinkers, who has asked Rajiv to give maximum co-operation to Benazir government. Meanwhile, the Indians, he disclosed, are raising pressure on Pakistan to severely punish the Sikh hijackers.

Third drift identified by Prof Khurshid is in the Pakistan-United States relations. Americans who claim to have played a role of crisis management in bringing Benazir Bhutto to power are imposing India's regional dominant role on Pakistan. [sentence as published] With that in mind a lobby headed by Stephen Solarz is being wooed, he charged.

The other forceful exposition of opposition's stance on various foreign policy issues was made by Asif Wardag who reasoned that should Pakistan support to mujahideen flag their cause would suffer and their international support would diminish. He asked Pakistanis to stem the "mischief" of giving lease of life to the Kabul regime so that mujahideen are made to accept the situation. Insistence on seeking fall of cities is against the rules of guerilla warfare, he said. If Mujahideen are made to sit in a static headquarter they would become a sitting-duck target for the enemies like the encampments around Jalalabad. In present situation the mujahideen should get tanks and artillery so that they change tactics from guerilla war to mobile war and then to conventional war. At the same time Pakistan should beef up its counter-insurgency defences to meet threats from India and Soviet Union. He also criticised the finance minister's statement that defence budget allocation will remain static. His argument was that since there is high inflation in real terms static budget means decreased allocation for defence.

Mr Wardag condemned the campaign against ISI [Inter-Services Intelligence], saying it is the first time that a country is destroying its own intelligence agency. This he alleged, was being done at the behest of Indian leadership.

How broadly cross-sectional is the opposition position on the foreign policy is evident from the speech by Hazar Khan Bijarani, a senator from Sindh. [sentence as published] Our foreign policy, he said, is a mixture of confusions and failures. Pointing out the conflicting reports on as who okayed the Jalalabad siege, the senator said that we should not ignore the warning sounded by Kabul-New Delhi-Moscow axis. He said Nepal is being

punished by India for its pro-Pakistan and pro-China postures on various forums. India is the second country after Israel since World War II which has extended its borders after their independence. He termed American pressure as blackmail to force Pakistan to accept the NPT [Nonproliferation Treaty] unilaterally.

In ultimate analysis two different and divergent sets of perceptions are being held by the government and the opposition. At times the heroes of one are the villains of the other. Major task before the government should be to evolve a foreign policy framework which has the widest possible national acceptance. Opposition has offered to work for a bipartisan approach. Why should not the government party accept this offer?

Retired Air Chief Urges Strengthening of Democracy

46000153d Karachi DAWN in English 24 May 89 p 7

[Article by Air Chief Marshal Muhammad Anwar Shamim (Retd): "Democracy and National Survival"]

[Excerpt] [Passage omitted] Democracy Restored: It was only General Zai's sudden removal from the scene and the refusal of the present armed forces leadership to fill the vacuum that made it possible for the Senate Chairman to take over the government of the country. Also, it was only Mr Ghulam Ishaq Khan's resolve to follow the constitutional path and the superior courts' dauntless judgements that paved the way for the return of democracy.

Now that the constitutional and democratic order has been revived and representative governments installed in the country as a result of the November 1988 general elections, certain responsibilities devolve on the people and their representatives so that the system does not break down again.

Danger to Democracy: The key point, of course, is that the electorate should return suitable candidates. In a parliamentary system, the electorate should determine the suitability on the basis of the party—its record and programme—as well as the qualifications and services of the individual candidate. Unfortunately, however, in our country, money and family clout play the major role, the party support is the next important factor and the individual's intrinsic worth is a mere bonus. The authorised limit of election expenses is now so high and the actual election expenditure so much higher that it is simply impossible for candidate of modest means, no matter what his qualifications to get elected, even when backed by a political party enjoying popular support. Money fetches votes. Reportedly, large sums also change hands when the legislators themselves are required to exercise their vote, be it for election to reserved seats, to express confidence or lack of it in a government. This being the state of affairs, democracy cannot but have a

stunted growth. The problem does not lend itself to an easy solution, but it must be attended to, sooner or better, for the survival of democracy.

Mass education could have a salutary effect. Intellectuals could play a role. Opinion-makers, whether they are authors, journalists, teachers or religious scholars, could guide the people along the correct lines. The malaise has deep and is spreading fast. [as published] The advocates of democracy and those who aspire to rule the country through a democratic system should be most worried about it. The spectacle we witness is that of mutual mudslinging in and out of the legislatures in the name of democracy. The illiterate masses learn from the example of public leaders and indulge in similar exercises in their respective spheres with an almost clear conscience.

As if provincialism was not bad enough, there is also the ethnic divide which has given birth to militant political groups within provinces. Karachi-Hyderabad region in Sindh represents the most pronounced example. Other provinces have their own share of problems arising out of multi-ethnicity. Four or five nationalities or sub-nationalities seem to have received wide acceptability in the country. If their cause was to be pleaded within the broader framework of Pakistani nationhood, to highlight local cultural aspects, there could be nothing wrong with it. But here provincial and ethnic interests seem to be placed ahead of national interests. Parochial feelings are virtually eating into the vitals of our body politics and unless checked decisively, would destroy the national fabric. Needless to stress that democracy can only operate if the nation is in tact.

Another factor that hampers the growth of democratic institutions is disrespect for law. Pakistanis, as a nation, seem to believe in cutting corners, whether in the domain of traffic rules or payment of taxes. What is more deplorable is that we feel quite proud if we succeed in breaking the law with impunity. Our eleventh commandment is "Thou shalt not be caught." Neither are those responsible for enforcement of law particularly those at lower levels, much effective. Lack of will to do one's duty, fear of intercession from above, temptation to make quick quid—all contribute to this sad state. As democracy is essentially the rule of law, the people who do not respect law could not care less for democracy. Our citizens must learn to accept the supremacy of law. Observance of law must become an instinctive reflex and those who violate law must be looked down upon socially in addition to being punished for it.

The state of the economy of a country has a direct bearing on the working of its political institutions. Any economic downdrift must be viewed with concern as it poses an unmistakable threat to democracy. It is neither necessary nor indeed possible for every citizen to be well-to-do, but it is essential that the vast majority should have an economic stake in the country, otherwise democracy will sooner or later give way to anarchy.

As observed earlier, no ready-made kit for the survival of democracy is possible to devise, but the following can provide it sustenance and strength.

a. National cohesion: The foremost goal of the leadership should be to achieve national cohesion. The people must be indoctrinated to feel proud of their Pakistani identity and Islamic heritage. Provincial and ethnic tendencies should be curbed. All citizens of the country must be treated alike. Facilities for professional education, health and other civic services should be expanded so that everyone has a due share, but quotas on a provincial basis or for special sections of society must be gradually abolished. Merit must come first. No talented person should be denied good education or entry into service for want of a privileged domicile or lack of resources. Social justice along these lines would bring about national cohesion, slowly but steadily.

b. Devolution of authority: Democracy, in its essence is the government of the people, by the people, for the people. It requires their maximum participation in the management of their own affairs. Centralisation of authority and democracy do not go together. In a democratic set-up, the problems of the people should be resolved at their door-step. This requires greater provincial autonomy, and wider powers and responsibilities for the local government agencies. With maximum decentralisation, a larger number of public servants would be employed by provinces and local bodies and need for provincial quotas in central services would diminish considerably.

c. Education: Literacy, learning and education create among people an awareness of their rights and duties. Selective education, on the other hand, leads to class divisions and exploitation of the uneducated poor by the educated elite. For promotion of democracy, therefore, mass education is a pre-requisite. Our present literacy rate is dismal and it might be argued that the desired objective would require a Herculean effort and heavy expenditure. But, then, there is no other option. A start must at least be made with optimum utilisation of the existing facilities. Evening shifts should be organised at schools, and mosques must be utilised as schools as well. [as published]

d. Clean politics: Our politicians must observe the rules of the game. If rejected by the electorate, they must learn to bide their time and utilise the intervening period for enhancing their image by solid contribution in the form of public service, improved programmes and healthy participation in legislature business.

e. Welfare-oriented economic progress: Rhetoric alone does not solve the problems of poverty and hunger, sickness and illiteracy. Emotional appeals, whether in the name of religion or in the context of the so-called misrule of the previous regimes can at best have a temporary effect. In fact, the backlash of such idle talk can be very severe. Economic well-being and social

justice is what the people look for. Of course, the people must also learn discipline and those in authority must set an example of it themselves.

The survival of Pakistan lies in the survival of democracy. For too long, has it been in and out. The opportunity that it has now been given must not be allowed to slip. It is up to the people and public leaders to ensure this.

Nation Said Losing Self-Sufficiency in Edibles
46000153b Peshawar THE FRONTIER POST
in English 20 May 89 p 7

[Text] Islamabad—The country which was self-sufficient upto 75 percent of its edible requirements 15 years back has gone deficit by almost 75 percent of its domestic needs. This situation has compelled the country to spend billions on the import of edible oils during the last year. In the wake of such requirement, the need for co-ordinated and integrated effect for promotion of oilseeds—both in quality and quantity—was inevitable to fill the increasing national requirements.

These observations were made by Dr Suleman Hamid, chairman of Agricultural Price Commission [APC] while speaking at the annual meeting of the standing committee on non-traditional oilseeds, which [was] held here yesterday.

The meeting was attended by research experts, extension officials of the provincial governments, the implementing agencies of the support price policy for these oilseeds, i.e. Ghee Corporation of Pakistan (GCP), Pakistan Agricultural Research Council, representatives of the agriculture research organisations from provincial governments, and representatives from various farmers organizations such as kissan board, chamber of agriculture and the Punjab Agriculture Associations.

The committee reviewed with concern the present situation of non-traditional oil-seeds in the country. It discussed in length various factors which can contribute to the improvement of the production and productivity of these crops including support price policy and marketing.

It noted with concern that though some improvement had taken place but the increase in domestic production of edible oil had not been able to contribute significantly in restricting the every-increasing import of edible oils.

While discussing the progress in production and productivity it was strongly felt by the committee that basic data of area and production remains very weak. Despite recommendations made on this subject very little improvement has taken place in generating such data. The committee opined that it was not possible for APC to make meaningful recommendations in the absence of

accurate and consistent data. Various agencies were presently providing information on these issues which at times, was quite conflicting.

The representatives of the farmers and agricultural association opined that the procurement of other produce of the crop under review had been improved by the GCP in the last year but still there was a considerable scope for further improvement in their functioning in term of timely payment, determination of quality and supply of bags.

The meeting strongly emphasised that GCP should provide dryers for use at the purchasing points and centres. The GCP expressed its own difficulties which included the delay and inadequacy in obtaining fund, the problems in buying of crops which are sown in small lots scattered throughout the country, lack of proper storage facilities which were very very essential for a crop like sunflower seed and transport inadequacies for the mobility of the staff.

The most important issues, that emerged as a result of the discussions and which constrained seriously the production and productivity of the crops, were the supply of good seeds and the technology of packaging for raising the crops. Almost all the seeds are being imported and sold at a high prices. Despite the decision of the government to multiply seed domestically very little in this direction has taken place.

Dr Hamid, while appreciating this achievement, suggested that granular inoculum, which could be applied to the soil directly and which was easy to handle, may also be developed in the NARC. It may be mentioned, at this stage that the use of this inoculum can substantially reduce the use of nitrogenous fertilisers and the nitrogen so fixed in soyabean crop could also be utilised by the following crop.

True Commitment Said Only Solution to Weak Education System

46000153e Karachi DAWN (supplement) in English
2 Jun 89 pp 1, V

[Article by Sami Mustafa: "Promises, Promises and More Promises"]

[Text] For more than 40 years both our elected as well as self-appointed leaders have been speaking in grandiose terms about their commitment to education, about promoting mass literacy during their tenure of government, about improving the schools and the quality of instruction, about new teachers' training programmes, etc.

And yet Pakistan continues to have one of the lowest literacy rates even among its Subcontinent neighbours, and the state of education remains not much better than

what it used to be a generation ago. And if we were to listen to cynics, both the quality of education and educational facilities have, in fact, deteriorated to an alarming level.

We now have a representative government. It is a popular government and it claims to symbolise the common man and the down-trodden. And like his predecessors, the incumbent Minister of Education has renewed his government's commitment to education by declaring that "in the previous era promises were made but not fulfilled, and there was wastage of money, but now it would not happen so, as the Prime Minister is committed to serve the cause of education."

Without sounding cynical, one does want to know: What are the specific details of the Prime Minister's commitment to education, and what concrete steps different from the past, are being taken to meet the objectives of that commitment?

If the last six month's record is any indication of things to come, then it seems that whatever be the intentions, the route taken to meet that commitment is not very different than from the past: The ideas are the same; the rhetoric is the same; the fellow-travellers are the same; with similar policy compulsions, similar follies, similar quick-fix mentality; and the similar inability to learn from the past.

One is compelled to make these comparisons because, unfortunately, there seems to be a remarkable similarity between the past and present attitudes, policies and practices. There are the same irresponsible and devious statements from people in positions of power: A senior minister is reported in the Press as saying that "in order to catch up with trends of modern world in education sector, it is necessary that pilot schools of computer education be established in the country so that from primary education, a child is capable of operating computers." (When the majority of our children do not have access to chalkboard, proper school furniture and buildings, and half-way decent textbooks, such statements reflect intellectual bankruptcy and professional dishonesty of the most dangerous kind).

Then there is the same obsession with grand projects requiring large fundings, the same search for US dollars and World Bank loans. Our Minister of State Education, recently on a pilgrimage to the United States seeking its blessing and dollars to finance our educational programmes, said she has been "encouraged by the response of American and the World Bank officials to the Pakistan Government's plans to expand education, especially at the primary level."

This profound faith of our policy makers in borrowed money solving our problems has caused considerable detachment on their part with their own reality. Furthermore, this funding mania has become dangerous not only because it creates increasing dependence on

resources outside our control and subjects us to externally-dictated priorities, but also because it very conveniently (and lucratively) camouflages some of the more basic issues: For instance, the issue of the political will of our government to deal with the problem.

However, this low-cost educational system cannot be found in the generosity of World Bank loans, nor in the farce of the nai roshni schools, nor in the self-description of mosque schools, nor in the romanticism of home schools and street schools. It may be found first by coming to terms with the fact that the existing educational establishment cannot deliver the goods; that it is not only incompetent and ill-equipped but also indifferent and insensitive. Consequently, any political leadership genuinely committed to education will have to look at alternative (and non-conventional) but restructured educational systems.

Secondly, our educational policy makers will have to realise that mass-based education cannot be achieved by building educational Tajmahals, but by building more of the low-cost community-based schools already in existence in some parts of the city (and the country) providing education to thousands of poor children without any political help for financial support from the government.

Our policy makers may want to look at these schools carefully and sympathetically. It is here that they might find some new directions and effective models in order to fulfill their commitment to education.

In the context of Karachi, the success of low-cost schooling system has been demonstrated in areas like the Chanesar Goth, Malir, Old Golimar, Lyari and Orangi. (Similar successful efforts have also been made by schools in Khuda-ki-basti in Hyderabad).

The success story of these schools comes closest to resembling China's low-cost public health delivery system with its bare-foot doctors. Orangi's 'bare-foot' teachers have achieved more than twice the national literacy level without any major government assistance, without World Bank loans, without the help of national and foreign experts, and without the participation of the professional elite of Karachi schools or of the educational establishment.

If Orangi can do it, why can it not happen elsewhere?

If there are any lessons to be learnt from the past 40 years' of persistent failure in the field of education, it is this: Since the existing educational establishment has failed to meet the stated objectives, it is time that its conceptual references and organisational strategies were fundamentally reorganised. Otherwise it will continue to deliver still-born institutions.

Another lesson to be learnt is the fact that seeking financial aid without first fully understanding the changed realities and the new social and political

demands is like placing the cart before the horse: If large funds could have been a panacea for our educational ills, the crores of rupees spent on the nai roshn schools should have produced, at least, some marginal results. On the contrary, the nai roshni experience not only exposed the large-scale corruption of everyone involved in its decision making and implementations, but it also, once again, highlighted the inability of the educational establishment to do any better.

And finally, the lesson to be learnt is that unless alternative models are carefully looked at and supported at the highest level of decision making, the existing impasses will only deepen with serious consequences. The challenges in front of the present government is to have vision and sincere commitment, not so much funds and empty rhetoric.

Commentary Urges Steps To Bring Nation to Middle-Income Level

46000152f Karachi DAWN in English 28 May 89 p 7

[Article by Sultan Ahmed: "Devaluation and Per Capita Income"]

[Text] Pakistan has been trying hopefully for the last ten years to climb a greasy economic pole in an effort to become a middle-income country from the group of the poorest, and has been failing. The struggle is not to become an upper middle-income country, like Brazil, Malaysia or Mexico, but a lower middle-income country like Liberia, Zimbabwe or Yemen, and yet we have been floundering because of the wrong economic policies and priorities were pursued.

Three finance ministers, beginning with Mr Ghulam Ishaq Khan, assured us we were on the threshold of the middle-income countries and would soon be crossing that to enter the citadel we were craving for or the status were aspiring for. But that has not come to pass. In fact, while we were close to entering the ranks of the lower middle-income countries with 380 dollars as per capita income in 1982, we have been slipping down from that vantage point since then.

The World Bank for its part has tried to help countries like ours by lowering the qualification for becoming a lower middle-income state from 500 dollars per capita to 400, and yet Pakistan has not been able to cross this lowered threshold because of the manner it has been devaluing its rupee since 1982 when it was delinked from the dollar and brought under a managed float or floating down. In spite of the high growth in GNP [gross national product] of 8.44 percent in 1982-83, 8.15 percent in 1984-85 and 7 percent in the following years, we have been slipping down in international terms because of the steady devaluation of the rupee which has come down from 9.9 to a dollar in 1982 to 21.15 now—a fall of 114 percent in relation to the dollar.

Such a devaluation has followed not only because of the strength gained by the dollar and the stronger European currencies and the Japanese yen but also the steady inflation in Pakistan which was usually underestimated officially. When production costs rise, export costs mount and exports stagnate, devaluation of the rupee becomes essential.

And inflation is the outcome of the faulty planning, improper priorities, vast misspending of the last ten years, the larger underground economy in which money moves faster than in the open market and the large income from heroin and arms trade. Clearly, if it is a greasy pole which Pakistan has been trying to climb for the last ten years and slipping instantly, the grease has been applied by us largely.

While the World Bank says the per capita income of Pakistan has come down from 380 dollars in 1982 to 350 in 1976, a Japanese official study has different story to tell. It says that per capita income of Pakistan in 1982-83 was 323 dollars, and after moving little up or a little down in the three years—333 dollars, 327 dollars and 334 dollars—it came to 332 dollars in 1986-87. According to the Japanese, we are yet far from the goal of 400 dollars.

Mr V. A. Jafarey, Adviser to the Prime Minister on finance and planning, has said Pakistan's per capita income is about 360 dollars, which places it 28th among the 39 poor countries but we are gradually nearing the top of the group and could in the near future move to lower middle-income group. On what basis he has estimated the per capita income of about 360 dollars will not be clear until we get the new Economic Survey in a few days.

But on the basis of the GNP of Rs 649 billion, a population of 104 million last year, and Rs 18 per dollar per capita income came to Rs 347 dollars. And, on the basis of newspaper reports, GNP growth this year was a low 4.1 percent, and per capita income in real terms has increased by only one percent.

What we have been having since 1985-86, when, according to the World Banks our per capita income stood at 350 dollars, has been a low GNP growth of 4.73 percent, and this year the lowest of 4.1 percent, while the population growth has been a steady 3.1 percent. Along with that the rupee has gone down from an average of 16.83 to a dollar in 1975-86 to Rs 21.15—a fall of Rs 4.28 which reduces our per capita income in dollars to that extent. So in 1982, with a per capita income of 380 million dollars Pakistan was the 26th among 34 countries, with eight poor countries ahead of us.

Why did this happen? Why has our per capita income in international terms declined while we were boasting of our average economic growth of six percent or more for the last ten years of military rule?

The reasons are obvious. The options were either to have a far higher economic growth rate as that of South Korea, Taiwan or Hong Kong or have a low population growth as these countries have. We opted for neither. While the population increased by 3.1 percent annually—a total of about 28 million in the decade—the GNP growth did not rise very high. The World Bank estimated that the per capita income increased on an average between 1965 and 1986 by only 2.4 percent, compared to 6.7 percent for South Korea and 7.6 percent for Singapore.

In inflationary conditions like ours when massive printing of currency notes was indulged in by the military government, what mattered was not the rupee income but what it could buy. It was there that the dollar evaluation of incomes came and found us wanting. If inflation is not contained, the rupee will go down further, and along with it per capita in real terms and our classification as poor country.

Currently a real attempt is being made to reverse this trend and place the economy on an even keel. If inflation is to be contained, large budget deficits and the tradition of bridging it by printing currency notes have to be given up. That is what the democratic Government is trying to do, say Prime Minister Benazir Bhutto and her Advisor on Finance, Mr V. A. Jafarey. Their immediate goal is to reduce the budgetary deficit which had touched the peak of 8.4 percent of the GNP last year. That is to be brought down to 6 percent of the GNP this year, and 4.8 percent within three years under the binding agreement with the IMF.

Mr Jafarey has said the efforts to curtail the large budget deficit and reduce the inflation are aimed at saving the wages of the fixed income groups. If the Government succeeds in both and the rupee gets some stability, the need for devaluing it in the manner done in recent years would not be there. And if inflation is reduced, there can be larger savings in a country where the rate of domestic savings has been very low.

Of course, if per capita income has to go up the population growth has to be checked, and the Government has to take positive steps in that direction. But however earnest the Government is in this matter, it cannot succeed without the total cooperation of the people.

Of course, the GNP growth has to be far higher than during the last three years but equally important as the increase in gross production is the increase in per capita productivity and the productivity of every rupee invested.

The capital-output ratio in Pakistan has been very low. It is only 2.5 in Pakistan compared to 3.7 in South Korea, 3.88 in Taiwan and 6.82 in the Philippines. For all that our industry is not technologically advanced. Hence, capital output ratio has to be improved resolutely through higher productivity all round. We cannot spend too much money and get too little results or employ too

many men for too little production. So increasing production on the farms, in the industries and in government offices must have top priority now. With higher productivity larger tax collection will be an assured prospect.

All this cannot be achieved by the Government alone. The investors and the workers whom it want to assist have to play their full part in it. This is how alone can the cake become larger to share. The initial years of such endeavours can be painful. But if they are not undertaken, with the Government and the people working in concert, and the women playing their role in keeping the population growth in check, we will continue to be classified as a poor country with Sierre Leone, Sudan and Liberia doing far better than us in per capita income. That is not a welcome prospect after staying on the threshold of the lower middle-income states for ten long years. Therefore, let there be a collective national endeavour towards becoming middle-income state, along with a higher per capita income in reality.

Editorial Accuses Webster of Duplicity
46000153c Peshawar *THE FRONTIER POST*
in English 21 May 89 p 4

[Editorial: "New Crisis in the Making"]

[Text] Pakistan's peaceful nuclear programme has again come in for the stick in the United States. The difference this time is that the latest criticism has been expressed by the CIA [Central Intelligence Agency] Chief, William Webster. He told the Senate Government Affairs Committee that "clearly Pakistan is engaged in developing a nuclear capability and what creates problems for the United States is whether that capability has reached a point that it implicates the various Amendments that apply to other assistance and relief for Pakistan."

The fact that Webster's statement has a categorical ring about it is indicative of the present thinking in the Bush Administration. Secondly, his statement has come at a crucial time when the Prime Minister's visit to the United States is just a few weeks away. The CIA chief has obviously decided to completely ignore the recent assurance by the Prime Minister about the peaceful nature of the country's nuclear programme. Though he has also focussed on India's efforts to build thermonuclear weapons, his accent has been markedly on Pakistan. The tone and tenor of the latest accusations against Pakistan are quite disturbing, for it means in simple terms the rejection of all clarifications by Pakistan. The change in American attitude in this respect is going to have both long-term and short-term repercussions. For the immediate present, Pakistani foreign policy is faced with a new challenge. How would we react in the event of President Bush's refusal to certify that Pakistan was not actually making a nuclear device? We can hardly afford to overlook Webster's testimony that Pakistan is not

responding to demands for redirecting its nuclear programme. The hardening of mood in the United States might well push things over the precipice.

The anti-proliferation lobby in the United States, led by Senator Glenn has sharply reacted to Webster's testimony. Indeed, the Jewish and Indian pressure groups are now gloating over the new development. Pakistan is now finally on a tight leash because of their efforts. For the first time it seems, the flow of aid to Pakistan might be blocked. This is hardly the time for this sort of crisis to build up. But if friends are intent on looking at the things in an adverse manner there is nothing much that can be done about it. Pakistan has been through one crisis after the other, and we are sure the one that is coming straight would not make us bend. There is a great honour in living up to one's goals.

What has really baffled a good deal of Pakistanis is Mr Webster's attempt to raise the spectre of an Indian preemptive strike against the country's nuclear facilities. He is obviously impressed with India's capability to so. He is the victim of a typical thinking, that wants Pakistan to play a subservient role in the region and accept Indian hegemony without a whimper. The duplicity of the likes of Mr Webster is almost transparent. They have quietly accepted the fact of Israel and South Africa going nuclear. [sentence as published] The Indians have graduated to the same status and this does not constitute as great a threat for them as would Pakistan. If a nuclear Pakistan can still be a target of Indian hegemonistic designs, one wonders what would have happened otherwise.

Pakistan has offered, time and again, to open its nuclear facilities for inspection provided the Indians did the same. Our American friends do not seem to appreciate it.

Commentary Sees Fiscal Predicament

46000152e Karachi DAWN in English 1 Jun 89 p 7

[Commentary by Sultan Ahmed: "Centre's Fiscal Predicament"]

[Text] The Federal government is now facing a non-win situation on the economic front. If it taxes the people far more so as to allocate larger funds to the provinces the people will be very unhappy. And if it does not come up with such heavy taxes, as substantial reduction in official expenditure is held not possible, the provincial government will be unhappy, particularly the two opposition-ruled provinces, Punjab and Baluchistan, which are acting in concert in facing the Centre.

There is no happy middle road. And if there is one neither the Centre or the provinces know nor has the Opposition any insight into it.

This escalating tussle between the Centre and the opposition administered provinces is taking place at a time when clerks, bank officers and teachers have been clamouring for higher salaries and resorting to strike or other pressure tactics, while other employee groups are lying in a calculated wait. And the IJI [Islamic Jamhoori Ittehad] is reported to be formulating an anti-Budget campaign to be launched soon after the budget is presented with a view to ultimately forcing the government to agree to mid-term elections.

If the salaries of all these frustrated groups are enhanced there will be less funds for development for both the Centre and the provinces. If larger funds to the provinces from the Centre are followed by larger pay bills for them they would be back to square one financially.

And if under the pressure of the unions the government agrees to distinctly higher salaries and then comes up with higher taxation to pay the larger pay bill, the beneficiaries of the pay rise will realise that what they were given by the right hand has been seized by the left hand.

Such a contentious atmosphere suits the businessmen and industrialists on whom the bulk of the additional taxation may fall, and they now argue that if they would not accept higher direct taxation, they would not agree to heavier indirect taxation either.

Meanwhile, in an effort to reduce the proposed additional taxation to a half of that, the government has slashed its proposed higher expenditure. While Prime Minister Benazir Bhutto says that the Centre's non-development budget has been reduced by Rs 3 billion, the Annual Development Plan [ADP] outlay has been scaled down to Rs 56 billion, which, after adjusting for the inflation of about 12 percent, is the same as the outlay during the current year—Rs 50 billion.

The current year's ADP outlay has been moving forward and backward since the Budget was presented in June last. Dr Mahbubul Haq came up with an outlay of Rs 47.26 billion in June and the new PPP [Pakistan People's Party] government raised that to Rs 57.84 billion. But the actual expenditure this year has been only Rs 50 billion, which is less than the outlay of Rs 51.75 proposed in 1986-87 or Rs 66.96 billion proposed in 1987-88. Clearly what is actually invested is far less than what is proposed, and so ambitious proposals for enhanced ADP outlays alone will not do. But it really hurts to see the ADP outlay going down in real terms in a country in which there is a staggering population growth of 3.17 percent annually, along with crippling load-shedding and shortage of drinking water in several cities. But then, larger proposals for expenditure alone are illusory. For more important is the actual outlay in a non-inflationary environment and its actual results.

But the opposition-administered provinces appear to be less concerned with the reduced total outlay and more with the small ADP allocations for them. While the four provinces are to have a total ADP outlay of Rs 16.1 million next year, the ADP allocation for them during the current years is only Rs 12.83 billion, argue the federal officials. But the provinces come up with the argument that the original ADP as proposed by Dr Mahbubul Haq had provided for Rs 15 billion compared to the new PPP government's outlay of Rs 12.83 billion. But the PPP government could argue that since the treasury was empty it had to cut down the ADP, inclusive of the share of the provinces. All this is pretty muddy ground. The effort to the Centre and the provinces should not be to study the volume of the mud, but to try to get out of it as fast as they can and get on with the urgent business of development and administration.

If the provincial governments want it they can come up with their own taxation proposals and mobilise more resources for themselves. But they loathe to do that. One such taxation could be agricultural income-tax as it has now been accepted by virtually all that taxing agricultural income should be a provincial activity. But the Punjab government has tied its hands in this regard by passing not one but two resolutions opposing agricultural income-tax. But they can come up with other taxes, like shops tax, to raise larger revenue for themselves.

But if the provinces have become too dependent on the Centre financially, the fault lies in the federal intervention over the years which has made the provinces imperious. Introduction of 'Ushr' by the military government abolished land revenue which was collected by the provinces. Prohibition, along with the ban on gambling, night clubs, etc resulted in a large fall in provincial excise revenues. And the rigid censorship, along with high cinema tickets because of heavy taxes, killed the film industry and the large revenues flowing from that. All that has made the provinces too dependent on the Centre for much of its current expenditure and the development outlays.

The Central issue now is how to reverse this extremely unhealthy trend and make the provinces financially strong. Of course, the provincial finances cannot be made strong through the kind of sweeping demands which Chief Minister Nawaz Sharif of the Punjab has come up with as they encroach on the Federal spheres in many areas. But positive steps have to be taken to educe the provincial dependence on the Centre and that should be done on an institutionalised basis or through new constitutional provisions and regular deliberations of the National Finance Commission for the division of the tax revenues between the Centre and the provinces. It is necessary, for example, for the revenues from the Federal Excise to go to the provinces in toto, while the Centre stay content with Customs duties and surcharges, sales tax and income-tax.

Now, extremely dissatisfied with the ADP allocations done by the National Economic Council [NEC] Punjab and Baluchistan Chief Ministers have called for a meeting of the Council of Common Interests [CCI] to review the allocations to the province. The Senate, too, has backed this demand unanimously, while the government holds that convening of the CCI is not a constitutional obligation, and the decisions of the NEC and the CCI are recommendatory, and not binding on the government.

But even if a meeting of the CCI is held that may not be helpful to the IJI or the governments of the Punjab and Baluchistan. The decisions of the Council are to be taken by a majority and the PPP is assured of a majority in the Council. The CCI comprise the four Chief Ministers and equal number of Federal Ministers nominated by the Prime Minister, including or excluding herself. A CCI will now have two PPP Chief Ministers and four Federal Ministers, and they are too many in the face of the Chief ministers of Punjab and Baluchistan. Clearly the dissident Chief Ministers cannot prevail over the PPP majority in the CCI.

Hence the Senate has also come up with the suggestions that the President may summon a joint sitting of the Parliament to issue appropriate directions under Clause 4 of Article 154 of the Constitution. The directions of the Council are binding on the council; but how can the IJI get what it wants to be done by the Parliament, as while it has a majority in the Senate the PPP has a majority in the National Assembly.

In such a context, the suggestion of Mr Sher Afghan, Minister of State for Parliamentary Affairs, to have another meeting of the NEC to review its May 23 decision is proper. Certainly the NEC is a better vehicle for reviewing the ADP allocations than the CCI or the joint sitting of the two houses of Parliament.

Clearly what the Federal and provincial governments ought to realise is that the issue is more political than constitution or legal, and must be settled through negotiations and consensus rather than through conflicts or confrontation which will encourage the tax evaders and economic offenders.

Editorial Examines Budget

46000152d Karachi DAWN in English 5 Jun 89 p 7

[Editorial: "The Federal Budget"]

[Text] The Budget for 1989-90 has been presented to the National Assembly in an environment of financial distress in which the IMF not only imposed strict conditionalities but insisted on overseeing the formulation of the Budget. During the last few years, government revenues have not been keeping pace with the increase in expenditures with the result that the gap has been widening. Increasing budgetary deficits and frequent recourse to bank borrowing had sent alarm signals to the

external creditors as an explosive situation foreshadowing a possible default on repayments developed in the economy. The Budget estimates reflect this situation although measures have been taken for partial rectification. The Budget seeks to reduce the gap without imposing an intolerable burden on lower and middle classes and to stimulate economic activity. The total revenues to be collected by the Federation are estimated at 123,663.3 million rupees exclusive of the provincial tax share of 26,403.8 million rupees while the total expenditure including the ADP [Annual Development Program] of 56,000 million rupees is assessed at 206,310 million rupees, showing a gap of 80,000 million rupees. To the extent of 67,000 million rupees, this gap is to be filled by domestic and external borrowing. Additional measures will mobilise 9,000 million rupees and the remaining 4,000 million rupees will be borrowed from the banks. The excessive amount of domestic and external borrowing is creating several future obligations inevitably imposing greater strains on succeeding (current) budgets. Debt servicing has already increased by 14,862 million rupees in one year alone, reaching a peak of 59,479 million rupees in 1989-90. As defence, debt servicing, subsidies etc claim 87 percent of the revenue account budgetary resources, only 23 percent are left for general administration, law and order, and social and economic services.

Given this resource situation, it has been found impossible to fulfill popular expectations in the realm of education, health, housing and transport or to discharge the obligations assumed in the ruling party's manifesto. There is a significant increase of 68 percent in the allocation to education, the bulk of it rightly going to primary education. But on the whole allocations to the social sectors are grossly insufficient to meet the current needs and liquidate the backlog of demand that has piled up over the decades. An attempt has been made to absorb some of the increasing pressures for amelioration. Relief has been given to low-paid government employees up to Grade 16 (cost 1,170 million rupees) and to those in the financial institutions. The minimum wage for the unskilled workers has been raised to 1000 rupees. Indicative of a new initiative in the housing sector is the proposal to set up a new finance corporation. The significance of this, though, will become obvious only after it becomes functional. The Budget also seeks to address the energy crisis, but only within the harsh limit imposed by paucity of funds.

As regards the efforts to raise additional resources, these have been conditioned by the dictates of political expediency. High agricultural incomes remain sacrosanct. User charges such as telephones, postal services, railway and air fares have been raised. Also an attempt has been made to tax those who have the ability to pay. The three-decade long exemption from property tax to Islamabad houses has been withdrawn. Capital value tax is being imposed at the rate of 5 percent on all transactions relating to vehicles, excluding 800 cc cars, and to immovable assets owned by persons who have not been

assigned a National Tax Number (NTN). The logic of exempting from tax such houses as are rented to the government or diplomatic missions (which fetch very high rents and are generally in the names of the wives of officials) is incomprehensible. This violates the norms of fiscal equity. The withdrawal of exemption of sales tax from 44 domestically produced items would certainly affect prices. However several import duties have been revised downward in order to hold the price line.

Investment in and production of large-scale industry have registered declines during 1988-89. The Budget shows concern for this trend and proposes measures to reverse it. These include raising the debt-equity ratio from the 60:40 to 70:30; country-wide tax holiday for electronic, plastic and leather industries, duty-free import of mining machinery, permission to establish private financial institutions, establishment of Pak-UAE [United Arab Emirates] Investment Company, provision for laundering of black money on payment of 10 percent tax if invested in new industries. A very old demand of the business community for separating appellate functions from tax assessment and collection has been conceded by appointing an independent Judicial Member of the CAR [Center of Applied Research]. However, there are certain other measures which investors may find inhibitive. These include reduction in the limit of paid-up capital of private companies for purposes of income tax deduction at source, withdrawal of 15 percent tax credit on import of machinery under BMR, tax on dividend and NIT [National Investment (Unit) Trust] incomes (15000 rupees remain exempt) and interest earnings of over 50,000 rupees from bank savings accounts. The last two measures would divert private savings into the National Savings Schemes which continue to enjoy total exemption.

The Minister of State for Finance has chosen to remain silent on the Centre-province financial relations which have been the focal point of controversy in recent weeks. Punjab and Baluchistan have been openly resentful of the financial hegemonism of the Federal Government. Although the provincial share of the divisible pool has increased from 18,134.3 million rupees in 1988-89 budget estimates to 26,403.8 million rupees, other special allocations (for education, ADP and budgetary support) have been slashed from 32,374.6 million rupees to 23,018 million rupees. Particularly the reduction in deficit-meeting support from 10,828 million rupees in 1988-89 to 2,874 million rupees in 1989-90 is very drastic. The Centre's position on this issue is known: the provinces should generate fresh resources if they wish to finance larger non-developmental expenditures. The provinces, on the other hand, have been demanding a revision of the assignment formula and inclusion of some new sources in the divisible pool. The provinces have a strong case here, but it must be admitted that the provinces have not shown much inclination to tap the sources already available to them. The Centre-province controversy cannot be prolonged without threatening the fragile structure of democracy. The Minister of State

should have announced the government's thinking on the question of reactivating the National Finance Commission, the right forum for addressing the resource distribution issue.

One of the Government's major anxieties was to avoid taking any measures which might bring grist to the mills of Opposition propaganda. Only a fuller study of the taxation proposals will show whether or not the Government went to the extent of sacrificing sound economics at the altar of partisan politics. The Opposition on its part has the right to criticise the budgetary proposals

where they fall short of economic good sense or legitimate popular expectations. But a ranging and tearing campaign outside Parliament is scarcely what the people are waiting for at the present moment. Our nascent democracy has certain exacting demands to make on both the Government and the Opposition. The orientation and tone of the Budget debate will show how far the two go towards satisfying these demands. The Government on its part can help immensely if it demonstrates that it is permeated by a spirit of sweet reasonableness which allows it to welcome sound suggestions coming from the Opposition benches.

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