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2 February 1985

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ARMENIAN AFFAIRS

'GENOCIDE ARCHIVES' TO BE COLLECTED BY 'ZORIAN INSTITUTE'

Tehran ALIK in Armenian 1 Dec 84 p 5

[Text] Cambridge, Massachusetts--During its annual meeting held in September, the Board of Directors of the Zorian Institute decided to undertake the work of collecting all archival material relating to the Armenian Genocide.

According to the President of the Board of Directors Levon Charkhudian, "this project has a vital urgency for our nation."

"The two years' work of the Institute involved several minor projects related to the Genocide. It is time for these projects to form part of a general and comprehensive plan whose need we have felt everywhere for a long time" declared Levon Charkhudian.

He also said that the Board of Directors considered this plan as one of many other projects that are being carried out and will be carried out by this scholarly Center dedicated to the study of contemporary issues. "We should not consider ourselves only as victims of the past. We should also be able to develop our present culture and our ability to study issues and our need to think freely as a society fully integrated in our civilization. Our decisions therefore cover plans that will help in the study of contemporary problems" added Mr Charkhudian.

According to Gerard Libaridian Director of the Institute, the collecting of Genocide archives will constitute the first phase of the overall plan. The work will entail the copying and collecting of official and private documents that are owned by various states, organizations or survivors.

"This plan is a first tentative to bring together known and unknown archives dispersed in different places. Many may find it strange that in spite of the importance the Genocide has for our history and culture and in view especially of the politicization of the Genocide, the work of collecting documents and of setting up archives has not been undertaken anywhere and is far from being founded on sound and scientific bases" explained Libaridian. The staff at the Institute has already started developing plans for the acquisition of necessary material means to carry out this project. According to Libaridian, experts and the public are ready for the execution of such a task. If the necessary financial support is forthcoming, the plan of expansion can begin.

The second stage of the plan involves the work of publishing the archival materials. Until then, the archival collections will be available for specialists with scientific interests and for other Institutes.

During its two days' session in September, the Board of Directors of the Zorian Institute decided to form commissions in order to expand the work of the Institute and to place it on a more sound basis. The first commission to be convened will be the one concerned with ways and means, then the commission on publications and finally the commission on research and collecting of documents.

Charkhudian announced also that very soon the Institute will start the publication of a bi-monthly bulletin for the purpose of informing the public about the details of the Institute's activities. The members of the Board of Directors are the historians Richard Hovanissian and Ronald Suny, the literary scholar Joyce Barsam, the linguist Hasmig Seropian, the professor of philosophy Garbis Kortian, the lawyer Levon Giragossian and Levon Charkhudian, President of the Board.

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CSO: 4605/54

ARMENIAN AFFAIRS

DIFFICULTIES CREATED BY REGIME FOR ARMENIANS DESCRIBED

Paris NEHZAT in Persian 3 Jan 85 pp 1, 5

[Paris NEHZAT in Persian; biweekly organ of the Iran National Resistance Movement].

[Text] The twenty-fifth of December and first of January of the modern Roman calendar is the equivalent of the sixth and thirteenth of January by the ancient calendar set by Greek and Armenian astrologists.

This week the Armenians of Iran too will be celebrating the birth of Christ and start of the New Year in unpleasant conditions and under the pressure of strangulation of the regime of the mullahs.

There are 200,000 Armenians in Iran, the fourth largest such group after the U.S., France and Lebanon, and constitute 10 percent of the Armenians who live outside the Soviet Union and consider Iran as their country.

But the ties of Armenians with Iran and Iranians goes back a long way, a relationship as ancient as the Median and Chaldean empires. Armenians and their land are also mentioned in the inscription of Darius engraved on Mount Bisotun.

The settlement of Armenians in Iran also has a 2,000-year history. Fifteen hundred years have passed since construction of the Saint Thadeus Church located near Khoy, one of the famous places of pilgrimage for Armenians. And the town of New Jolfa in Esfahan was built by Iranian Armenians during the reign of Shah Abbas I.

From ancient times when Armenians settled in Iran as their country or in more recent times when they fled from the Turkish massacres or escaped with their lives from the Bolshevik Revolution and made Iran their home, they have never been separate from Iranian society and have been through the ups and downs of this land's history alongside their fellow-citizens, have also been in step with fighters in national movements, have loved this land, have served it and watched over it. Neither the attack by Alexander the Macedonian nor the incursion of the [Moghul-Tatar] hordes were able to uproot Armenians from Iran. But the hellish Khomeyni regime has such an intention. It has closed the doors of their

schools on their children, it has forced their women to wear its Islamic veil, it has taken away the civil rights of their men, denying them work in government offices and imposing limitations on them in the private sector. During these 5 sinister years, the regime has driven 25,000 Iranian Armenians from the country and forced another 35,000 faced by financial and mental difficulty to apply for immigration to Soviet Armenia. In short, it has shattered a healthy and constructive society.

The present dark days brought about by the santimonious does not of course affect Iranian Armenians alone. The Zoroastrians, the Jews, the Muslims and others face similar fates. Iranians, who in the past were not preoccupied with matters religious, now face in their own land a monster which has deprived them of everything.

In any event at the start of this Christian New Year as has been in the past 5 years, the Church of Saint Thadeus will be dark and silent. This year too this place of pilgrimage will not witness the many colored Armenian local costumes, will not hear hymns sung by the visitors nor witness the special Armenian religious rites.

The Christ of the Armenians whose birth has been celebrated by this race since 314 A.D. will continue crucified in 1985.

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ALGERIA

ROLE IN WORLD TRADE ASSESSED

Algiers REVOLUTION AFRICAINE in French No. 1082, 23-29 Nov 84 pp 8-11

[Article by Abou-Bakar Talbi: "Algerian Exports: The Ball Is in the Court of the National Enterprises"]

[Text] The one observation most universally made by psychologists and doubtless the least denied by economists is that unquestionably the willingness to live in a state of complete self-sufficiency, composed of austerity, with a dash of asceticism added, remains an undeniable symptom of morbidity for the former and a utopia for the latter.

The legendary Robinson Crusoe, despite his 28 years of isolation and solitude on a desert island, ended up by experiencing feelings of relief at rejoining the society of his fellow human beings. And when China finally awoke, it was to open its doors wide to interchanges with the world. Similarly, the expansion of contemporary economies is proving to be something of an indelible reality, almost extra-national. To be nationalistic on that account would be a mark of gullible innocence or else simply a sign of pathological demagoguery.

Individual or society, we must all live with other people, whether in a state of total or partial harmony or else in a situation of declared or latent war! Even if the bad breaks and the chance happenings of life sometimes impel us to conclude deep down inside that after all, "Hell is others," moving us to shut us up within ourselves, experience shows that such a choice fizzles out each time it is made, either by men or nations. This does not absolutely mean that one must not count on his own strength! It is obvious that total introversion is a negative position of passivity, capable of producing multiple neuroses, even on a national scale. On the other hand, "reliance on one's own strength" implies a rehabilitation of oneself, a relationship of equals vis-a-vis the outside world, which rids the soul of every form of bondage, a mastery of one's fate and resources, as if he stands at the

rudder of his ship, modest but proud, braving a rough and hostile sea. It is in fact the deliberate choice, difficult and courageous for national independence, in an iniquitous, unfair economic world "order" where the dictates of the wealthy and the powerful rule.

The Fifth Congress of the FLN, held last December, defined the broad political, economic and social directions of the country for the period covering the next 5-year plan (1985-1989). This culminating phase of our development will certainly see the appearance of the first results of the actions taken and the measures adopted during the first 5-year plan (1980-1984), notably those aimed at the creation of 400 public enterprises (the organic reconstruction of the former national corporations). Thus the 5-year perspectives are built into the continuity of those promulgated at the time of the Fourth Congress, held in 1979.

As a developing nation, one that is both African and Mediterranean, an active member of OPEC, etc., Algeria is not evolving in isolation and consequently cannot live all curled up inside its shell. As it now exists, it is at the convergence of various and contradictory interchanges, political and cultural as well as economic.

Vulnerability and Hegemony

As a natural consequence of the privileged geo-political situation of the country, our foreign trade has always occupied a choice place, even from the most ancient times. To take possession of the international economic environment thus becomes a necessity, for the latter determines to a certain extent the fortunes of our economy.

In 1983, our foreign exchanges (i.e. the total figure of exported and imported goods and services) with the rest of the world, as reported in the PIB [gross domestic product], constituted more than 55 percent of the latter, whereas at the same date [the preceding year] they came in for a very paltry share, less than 1 percent of world trade. By way of simple comparison, US trade, which equaled only 10 percent of the American gross domestic product, captured one-quarter of the world trade, including Europe. This vantage point shows us the scope of the sensitivity--even vulnerability--of a developing economy such as ours.

Thus one understands how every crisis that shakes the foundations of the developed capitalist nations has repercussions, both naturally and by force of circumstances, on the nations of the Third World. Even if specialists in international economy have predicted a certain improvement in economic activity this year in the wealthiest of capitalist nations, as well as an observable resumption of growth in the socialist countries of Eastern Europe, one must not, however, let himself be deceived: the positive effects of this high state of conjuncture remain and will remain limited to the wealthy nations alone. This conjuncture simply reestablishes the on-going nature of the basic and structural imbalances of world economy. The high level of the interest rates and the structure of the rates of exchange bring grist to the mill and increase still more the burden of indebtedness under which the developing nations labor, as

Table I shows in a typical way for our country. In 1983 the debt office encumbered more than 37 percent of our exported merchandise.

TABLE I: PAYMENT OF THE DEBT AND ANNUAL APPROPRIATION LEVIED ON EXPORTED MERCHANDISE

Source: MPAT [expansion unknown]	1975	1976	1977	1978	1979	1980	1981	1982	1983
Payment of the debt in 10 DA [dinars]	2.4	3.7	4.9	6.6	10.9	15.5	18.4	21.3	22.9
Payment of the debt in percentages of merchandise exports	13.1	10.7	20.1	27.2	29.7	29.4	29.3	35.2	37.7

The present indurative conditions and the structural rigidity of world economy do not fail to have a negative effect on the hydrocarbon market, with regard to which the national economy of Algeria is particularly sensitive. This situation brings out the essential role played by our own exports in maintaining the basic balances of the country's accounts. In fact, compared with the PIB, the 1983 exports were equal to more than 30 percent of the latter. In other words, they contributed to "enriching" the economy of the country in this sense: that the income from them, distributed among the various sectors of the economy through the numerous investment channels, has an indirect role to play in the creation of increased values. However, where the shoe pinches is in the preponderance, close to hegemony, of the hydrocarbons. Whether we like it or not, this situation places us in the category of the single-export countries, even if within our family of exported hydrocarbons, a certain diversification does exist.

Sharing the Risk

One positive new phenomenon, which deserves to be pointed out and highlighted, consists precisely in the evolution of product structure within the field of hydrocarbons. The striking fact is that crude oil, which in the past constituted more than half of the hydrocarbon exports now represents no more than 25 percent. A new apportionment has come to exist, thus conferring a certain homogeneity in the proportion of each fuel and lubricant. This is particularly advantageous, since it allows in the first place for a sharing of the risk among these various products. (cf. Table II)

The reduced role played by crude oil is directly attributable to the fuel selection practices of the country and to the recommendations of the central committee of the FLN, made during the session it devoted to the dossier on energy. The needs of future generations in this material have been brought vigorously to the forefront and into the preoccupations of the nation, definitively refuting the hearlier hypotheses, in particular the Valhyd Plan (which calls for continued development of hydrocarbons through the year 2000). This session

also marked a decisive turning point in the influence of the country on its exports. The growing Algerianization of crude oil exports, as is clearly shown in Table III, confers on the country the total control over this sector.

TABLE II: STRUCTURAL DEVELOPMENT OF HYDROCARBON EXPORTS (*) (U:%)

Source: MPAT	1979	1980	1981	1982	1983
Crude Oil (**)	72.3	61	52.3	22.6	23.4
Condensate	9.8	12.1	18.7	23.9	26.6
GNL [Liquefied Natural Gas]	7.7	8.7	9.7	14.1	20.3
GPL [Liquefied Petroleum Gas]	0.8	1.2	1.2	1.9	1.5
Natural Gas	-	-	-	-	2.4
Refined Products	9.4	17	18.1	37.5	25.8
TOTAL	100	100	100	100	100

(*) Percentages calculated on the basis of exports according to value

(**) In 1973 the proportion of crude oil alone represented nearly 90 percent of the total hydrocarbon exportation.

TABLE III: STRUCTURE OF HYDROCARBON EXPORTS BY LEGAL SECTOR (in percentages)

PUBLIC SECTOR	PRIVATE SECTOR
1979...79.7	1979...20.3
1980...79.7	1980...20.3
1981...98.6	1981... 1.4
1982...99.4	1982... 0.6
1983...99.6	1983... 0.4

The diversity of hydrocarbon products and the total control over their exportation by the public national sector have allowed for a wider margin for maneuvering within the national economy. That explains the quite rational behavior or the latter in the face of the crisis which is shaking the world, but which in no way means that we are immunized against the jolts caused by the international conjuncture.

If one refers to the data gathered by the MPAT, more than 94 percent of the 1983 objectives in terms of exports were attained. An appreciable rate of productivity, if one takes into account certain inopportune occurrences, such as the lowering of the average price of hydrocarbons by 10.9 percent, and the 4.2 percent appreciation of the US dollar in relation to the dinar.

During the entire period from 1967 to 1979, the total figure for exports (at current prices) multiplied tenfold: from 3.5 billion dinars (MDA) to 36.75 MDA. The hydrocarbons occupied a more and more exclusive position. To support this assertion, let us go back a bit--and precisely to the time just before the first "oil scare" in 1973. (This term is not at all a neutral one since it is used in particular by the experts in the consumer nations. Indeed, for whom was it a scare?) At that time, the total income from exports was 7.4 MDA. The following fiscal year saw a spectacular increase in receipts, which climbed to 19.59 MDA, in other words a rise of 262 percent. Subsequently the same scenario was reproduced in 1979, on the occasion of what has come to be called the second "oil scare."

During the first 5-year plan, the income from hydrocarbon exports and consequently the income from exports in general, began to manifest a degree of stability. As for the other products (outside of hydrocarbons), they never underwent any spectacular increase.

The Strike-Breakers

Since 1967 and up to 1984, that is to say over a period of 18 years, their total figure, already negligible, only doubled, with an average rate of growth of 7.5 percent a year.

According to the Ministry of Commerce, for at least the first 2 years of the next plan, a status quo on prices is expected. It is true that until the present time, certain international events, such as the Iran-Iraq war have had only minimal repercussions on the petroleum market. The same statistics predict that after 1986, the price of crude will have to be indexed on what happens to the rate of inflation in the developed countries, in conformity with the recommendations of OPEC. But one must not forget that the present relationship of strength is unfavorable to the petroleum-producing countries. Let us take, for example, the case of the limit on production: its quota system is not, in principle, equally shared and accepted by those countries that have, moreover, unequal oil reserves and therefore react differently in a crisis. For some, such as Algeria, to limit the production of crude is tantamount to establishing a precise policy, a plan, for example, that elaborates the philosophy of needing to "leave some petroleum in reserve for future generations." For others, it is ultimately a question of a simple ad hoc maneuver to act on the prices, which will soon change according to the mood of the market.

Still more serious, the "free" producers of the Third World (Mexico, the sub-Saharan nations of Africa, etc.), who are not members of OPEC, run the risk of playing the role of "strike-breakers" with respect to the decisions of the latter. Operating individually, they are, by this very fact, within the reach of the multinationals and the consumer nations, which prefer, understandably, to negotiate with countries "separately" rather than with an organization of interdependent countries. The anarchic intervention of those countries, which like to "gold-brick" in the face of constructive action, constitutes a veritable economic counter-action against OPEC and risks compromising seriously the decisions of the latter by artificially flooding the short-term market. On the other hand, their adherence to OPEC will put together, without the shadow of a doubt, an incontrovertible and uncompromising force that will advance the cause of the poorer nations and the north-south "dialog."

For the next 5 years, provided the hydrocarbon market remains stable, the same projections predict a growth rate of 3.5 percent a year in export receipts, or 17.5 percent for the entire period of the next 5 years: that would be the more prudent hypothesis.

But this estimate, despite its prudent nature, remains rather optimistic, given the market situation.

Products other than the hydrocarbons, neglected until recently (3.2 percent in 1984), will enjoy a certain progress. According to the same source, they will attain 6.1 percent of the overall total figure for Algerian exports in 1989. To seek new outlets for our manufactured products might be called a pious wish, seeing that the latter are not available on the national market. But that does not prevent anyone from breathing a spirit of initiative into our public and private enterprises. To do this, consistent organizational effort must be made for the development of the productive potential that already exists.

Exportation must not be a morbid obsession, to the point that it is pursued at the cost of satisfying local needs. The inauguration of "a development centered on satisfying the fundamental material and cultural needs of the people as a whole and capable of sufficiently clearing out any long-accumulated surpluses, so as to contribute to strengthening the social stability"--that is the royal road to durable and profitable exports. Exportation will not have to be pursued by a jab at production, to be administered "routinely," to satisfy national demand. Demagogy in the matter of international commerce, as in everything else, is a bad counsellor! The case of the lamps sold to the Yugoslavs invites us to ask ourselves certain questions, once the high production costs we have sustained for these lamps is known! Are we more competitive than Italy? Is it we who sell cheap, or else is it the Yugoslavs who buy at a good price? Are our own lamp needs being fully satisfied?

Fundamental Dependence and Bold Wager

International competition, quite strong and aggressive, does not allow a breakthrough for our products (question of costs, quality and difficulties of market entry, etc.). Also it becomes essential to envisage an entire system of procedures and means to be implemented to "come to the aid" of those enterprises that may have surpluses to get rid of. This is true, at least in the early stages, if we wish to familiarize foreign countries with Algerian products. Put briefly, "It is necessary to reestablish and strengthen Algeria's role in trade from the national point of view."

A long road remains to be traveled, with the main goal to find the loopholes that offer new and effective expedencies. South-south cooperation is already beckoning, a possibility favorable to the expansion of balanced trade. The policy of opening new markets in the Third World, begun during the first plan, will gain a new impetus and make definite strides forward during the next 5 years. As an example of what needs to be accomplished, the figure for the socialist countries, which was 3.2 percent in 1980, stands at less than 1 percent today.

Africa is virgin territory, lying close by. (The delegations from chambers of commerce of 23 African nations have created a federation of African chambers of commerce whose offices are to be located in Cairo. The presidency of the chamber will be entrusted to Nigeria, the vice-presidency to Algeria, Zimbabwe, Ethiopia and Zaire). Africa is also a growing market in which Algeria will have to open up for itself a place that is solid and in keeping with its means and ambitions.

Such an orientation, already in embryonic form and for which efforts are being approved with an eye toward its factual realization, is of vital importance for the nation. An analysis of the destination of our exports corroborates the necessary promotion of the south-south dialog and the urgent need to realign our relationships with the north. But once again, illusions can be deadly! If opting for the south-south dialog is to be encouraged, for it is a question of our long-term future as well as of our survival on the short- and middle-terms, this ultimately depends on our fundamental relationships with the wealthy nations. Let the figures speak for themselves! The OECD nations monopolize 90 percent of our exports, whereas France (Table V) has carved out for itself the lion's share in 1983. With ... [line(s) of print missing.]

TABLE IV: EXPORT DEVELOPMENT (U : 10⁹ DA)

	First "Oil Scare"		Second "Oil Scare"		First Five-Year Plan					2nd 5-Year Plan
	1973	1974	1978	1979	1980	1981	1982	1983	1984	1985-89(*)
HYDROCARBONS	6.2	18.2	23.2	35.8	51.7	61.6	59.3	59.8	60	64.8
OTHERS	1.2	1.3	0.9	0.8	0.8	0.9	1.1	1.0	2.0	3.5
TOTAL	7.4	19.5	24.1	36.6	52.5	62.5	60.4	60.8	62	68.3

Source: MPAT, except for the annual average (*) calculated on the basis of the projections of the Ministry of Commerce.

In conclusion, the first thing that becomes fully clear is that our nation has, and will continue to have, in accordance with the most official prognostications, a single-export economy based on hydrocarbons. The other important point to remember is that geographical distribution must still be seen in terms of a limited geopolitical framework. Ninety percent of our merchandise goes to the OECD, whereas the rest of the world is still on the outside looking in, and so to speak, fighting over the crumbs!

Making a fundamental change in the dominant traits of our foreign trade, as far as exports are concerned, is neither a sinecure nor a leisurely task. The mobilization of all our energies for a sound promotion of our exports, represents a bold wager but one persistently looming on the horizon. Can we hope

to win the wager? Answering with an affirmative, unconditional YES is tantamount to condemning ourselves to a dim future and a useless dissipation of our energies.

TABLE V: GEOGRAPHIC ORIENTATION OF EXPORTS (U : %)

GEOGRAPHIC ZONES	1980	1981	1982	1983
EEC (**)	39.2	48.6	66.3	59.7
(when France is included)	(15.2)	(20.3)	(24.0*)	(30.0)
NORTH AMERICA	46.2	31.3	16.8	23.4
(when US is included)	(45.7*)	(30.0*)	(15.2*)	(22.4)
REST OF WORLD	11.4	17.7	15.5	16.0
SOCIALIST COUNTRIES	3.2	2.4	1.4	0.9
TOTAL	100	100	100	100

(*) Our own estimates

(**) Source: MPAT, September 9184

Responding with a definite and full-blown NO amounts to making a prophecy that even Cassandra would want nothing to do with! In any case, the true answer is found in the qualitative improvement of production, the optimal use of production potential and the diversification of the production activities of the nation. In a word, the ball is in the court of the national enterprises, whether public or private. It is up to them to return it.

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CSO: 4519/56

ALGERIA

IMPACT OF POPULATION GROWTH ANALYZED

Algiers REVOLUTION AFRICAINE in French No 1086, 21-27 Dec 84 pp 19-34

[First part of a survey made by the Secretariat of the Central Committee of the FLN Party: "Demography: A Decisive Stake"]

[Text] Demographic problems are a major concern throughout the Third World. In Algeria, they are of vital importance for the political leadership because they represent a major source of tensions and constant pressures on the economic system, and may well have a negative impact on the country's economic and social development if adequate measures are not taken to implement a courageous family-planning policy. The Central Committee of the FLN Party has looked into the problem and stated all the measures that should be taken to ensure the harmonious development of the Algerian economy and the Algerian society. In agreement with the decisions of the Central Committee of the Party and with the guidelines contained in the report presented at the Fifth Congress by the general secretary of the party and president of the republic, the Standing Secretariat of the Central Committee has approved a comprehensive program, to be launched in the next few days, to increase the people's awareness and understanding of family planning. The program is based on the fact that the population policy defined by the highest Party and State authorities will be instrumental in achieving the objectives of progress and social justice that underlie our development strategy. This program of social progress implies of necessity a full adhesion of the masses to the projected society we want to build, whose driving force they are. This is why the program will attempt to inform, sensitize and mobilize all. Considering the importance of this question, we shall publish in this and next week's issue an in-depth study made by the Standing Secretariat of the Central Committee.

The project of society which the Algerian Revolution assigned to itself presupposes a global demographic policy in keeping with the national policy of economic, social and cultural development, of which it should therefore be a major line.

The population is both the ultimate end of the development policy and the main means to implement it: it is a decisive stake and it must be integrated into every dimension of all national problems.

The basic option when planning development involves taking into account all its material, financial and human constraints and, therefore, a priori the population itself, all major parameters of which must be brought under control, both in the forms under which they exist at present and in their medium and long-term prospective evolution.

A variable as important as the population cannot, in any case, be abandoned solely to the mechanics of its endogenous mode of operation. Indeed, it may progressively reduce to nought and ultimately divert the attempted transformations which the national development policy is trying to achieve and which are the result of a planned vision integrating given objectives.

Therefore, national development planning involves population planning, as the population is expected to participate in development planning and to benefit from its results.

Harmonious Balance: A Necessity

The basic objective that our demographic policy must assign to itself is to provide for a harmonious balance between the rate of economic growth and the rate of demographic growth, as stipulated in the National Charter:

"We should make sure that demographic growth will not cancel out the effects of economic growth and that, in the end, the race that seems to be taking place between these two rates of growth will not cause the advance of progress to mark time or lose ground as far as the improvement of the living conditions of the masses is concerned..."

The remarkable results achieved by our economy in the past 20 years have shown the extent of our country's resources and the dynamism involved in using them. But it goes without saying that such a rate of economic growth does not mean anything per se and should be evaluated with respect to the population over the period.

In this respect, the strong rate of demographic growth observed since 1962 represents undeniably a major source of tensions as it generates constant pressures on the economic system, which are expressed in terms of demand for goods and services that must be met.

Certainly, the tensions which our economy may experience are not due solely to the high rate of demographic growth; they are also the result of other causes having to do both with structures and with present conditions. All the same, demographic growth undeniably represents a direct and heavy burden

affecting the rate of our development, all the fruits of which it could mortgage in the long run.

The general secretary's report to the Fifth Congress of the FLN Party is very clear in this respect:

"Certainly, we cannot trace back to demographic growth only all the causes of our underdevelopment and the problems we are encountering in achieving a constant and sound growth. Nevertheless, the demographic factor is the essential one. If we ignore it or if we do not attempt to identify it, we may well cause a large part of our development to become sterile."

In addition, the present context of a world economic crisis more than ever calls for exemplary rigor in our approach to development, so as to make the best of our potentialities. Any progress will be achieved only on the condition that we exert greater control over the economic and social balances which are affected by international storms.

The Basic Component

It is in the light of all these conditions that we must prepare and implement a program to control demographic growth, which should be an integral part of our national development policy.

The population policy thus becomes a means to achieve the goals of progress and social justice of our development policy. It is primarily in the service of the masses which will be the first to benefit from its positive effects, as there will be a better match between the available resources and their allocation to all fields.

This is why the masses must fully adhere to such a policy; now more than ever, their best interest is that its goals materialize, as these very goals are a prerequisite to raising the masses' standard of living and, more generally, to the success of the project of society whose driving force they are.

The demographic policy represents a basic component of the efforts made for the economic, social and cultural promotion of the largest masses of our people, and it must be understood primarily as such, as an instrument to achieve our highest political goals.

This is why it should not be reduced to its economic dimension only.

Indeed, the problem of the control of demographic growth ultimately raises the issue of what place society should give to the family as a global social institution.

From this point of view, our project of society is quite clear and should constitute a fundamental source of inspiration for reflection and action.

All the basic texts of the Revolution have forcefully stated that the Algerian nation belongs to the Arab-Islamic civilization and that the Algerian people is attached to Islam. This is why, under the constitution, "the family represents the basic cell of society."

Now, a "basic cell of society" must be a strong structure on which dynamic institutions fraught with projects for the future can be built.

The society we are projecting needs a strong family: on the one hand, to provide an environment in which the individual can achieve his full potential and which will ensure him, among other things, a harmonious social life; and, on the other hand, to support the State in implementing the major lines of our national policy of economic, social and cultural development.

Such a mission, whose complexity, richness and scope are obvious, cannot be carried out unless a number of conditions are met, first of all within the family itself.

Generally speaking, all functions must be fulfilled under satisfactory conditions excluding pressures or unbearable tensions that might either prevent their proper development or else--and this could be more serious--pervert it. This is why, in every respect, the quantitative aspect--in this case family size--will play a decisive role. Family size should never exceed the number compatible with the implementation of family functions, under optimum conditions.

It is only when the size of the family is compatible with the missions assigned to it that the family will be the "basic cell" mentioned in all our basic texts. Experience shows that beyond certain quantitative thresholds, the family can no longer assume responsibility for the multiple qualitative aspects that make all its riches and are fully in keeping with the role it should play in the service of the overall development project.

Bringing demographic growth under control must therefore be set as one of the conditions essential to the blossoming out of the Algerian family.

Islam, a Positive Source of Inspiration

On the other hand, bringing demographic growth under control and [as published] direct consequences on the health of all family members, an essential condition in enabling them to maintain balanced relations among themselves and with their environment. Actually, the mother's health as well as that of all the children and, therefore, that of all other family members, will depend on the conditions under which the essential function which is procreation will take place.

Spacing out births is in the best interest of the mother herself, as it directly preserves her health, but it is also in the interest of the children who will be surrounded with all the care and affection they need for their harmonious development, and spacing out births is therefore a desirable goal if we are to achieve a family in agreement with our most basic choices.

From this point of view, Islam represents a positive source of inspiration since it does not prohibit any control of demographic growth that helps in creating the family, which it recommends should be harmonious and united.

The fact that Islam insists on the need to obtain the free adhesion of the populations concerned by programs aimed at controlling demographic growth is quite fortunate, as all experiments carried out in this field show that force in this respect never works out.

Changing mentalities will be a long and exacting task requiring persuasion in the form of continued efforts, organization and explanations.

In this respect, any effort we make should focus on demonstrating that the conditions that led to the development among our people of a mentality favoring high birth rates no longer exist as a result of the radical changes that have taken place in our society.

For a long time, during the colonial period, that mentality in favor of high birth rates worked as a means of defense against colonialist attempts to physically exterminate our people.

Reproduction was also an act of resistance, of patriotic faith in the future, of affirmation of one's presence with respect to the intruder.

In addition, as productive forces were hardly developed at all and as our people enjoyed hardly any social security coverage, having many children was a guarantee of success in operating the small family farm, and a guarantee of responsibility for active life [as published].

In the world around us, and increasingly, the greatness of a nation and its rank are measured not by the size of its population, but by its scientific, cultural, even moral influence, and the most reliable foundations for this are a prosperous economy and a sound society.

This is the challenge that our society must face. It owes it to itself to meet it most decisively by proving itself equal to the stakes that are implied.

Fulfilling such a mission is an exalting prospect for present and future generations, and it is in line with the historical process of the Algerian Revolution since 1954.

The Stages

From the simplest human group to the large pluri-ethnic nations, from the uninhabited desert regions to the overpopulated fertile plains, from the village to the modern megalopolis, the human species has gone through different stages of organization in which the demographic factor played a considerable part.

Each stage in this evolution of human society will bear the seal of a civilization: from the primitive to the most elaborate civilization. The civilizations that have succeeded each other for thousands of years were born and developed as soon as man learned to live in community, and especially after cities were built and states created. The latter could not exist without a

certain demographic growth. The population increase then poses the problem that "enables the societies thus challenged to outdo themselves and produce" to achieve a relative balance between the size of the population and the satisfaction of its social needs.

In order to settle this question of balance, states have adopted various policies to find the surplus needed to cover their people's needs.

Thus, whole continents were occupied by invaders for whom the native populations did not count, and some of them were exterminated and replaced by colonies of settlers.

In other regions, the populations resisted and engaged in a long struggle to free themselves and recover their independence, sacrificing many lives in the process.

It is therefore no surprise if the highest birth rates today are those of former colonies, i.e. Third World countries. If these countries are in favor of high birth rates, it is therefore for historical and socio-political reasons. The same attitude is also found in Algeria.

Thus, before posing the problem of our country's demographic policy, it seems useful to review briefly the history of Algerian demography just prior to the French conquest, during the colonial period and after independence.

I. Algeria's Demographic Evolution

The Algerian demographic evolution essentially went through three stages:

- a period marked by spontaneous and natural demographic growth;
- a short transition period leading to progressive state intervention and marked by an incipient change in family attitudes toward the birth rate as well as by some initiatives on the part of the authorities;
- finally, a third stage marked by obvious State interest; we mean that a demographic policy was implemented unevenly on all of the national territory.

As far as precolonial Algeria is concerned, recent studies of the history of Algerian demography showed that demographic troughs occurred at various times, due to epidemics or disasters resulting in considerable losses of lives.

It was found that between the second half of the 16th century and the beginning of the 19th century, the plague appeared 14 times in our country. The last plague epidemics dates back to 1817.

Epidemics were often accompanied by famines, due to the lack of a labor force capable of performing agricultural work. The men of that time were defenseless against disease and death and against the vagaries of nature.

Their only means of defense was to reproduce. They did so on a large scale to offset the excessive death rate, especially among children.

This is how the trend toward high birth rates became established. Indeed, the large family was the favored model. Its size ensured that the family would have descendants; it was the basic cell of the tribe and it contributed to the power of the tribe, estimated by the number of men who were potential combatants or defenders.

Socially and economically, many arms were required for nomad, rural and urban activities since all work was done by hand. A large family was a form of social security, especially for its older members; under the patriarchal system, it enabled old people to retain a social role and young people to provide for the security and subsistence of the latter. In those days, demographic growth was not a problem since the natural rate of increase of the population remained after all rather low, around 0.5 percent, when it did not tend toward zero.

Thus, on the eve of the French conquest of Algeria, the Algerian population was estimated at 4 to 5 million people. From 1830 to 1962, the Algerian people was to lead a century-long struggle that would cost a lot of lives.

Three periods must be distinguished under the colonial regime. During the first period, from 1830 to 1872, popular resistance movements represented by the various insurrections, the resulting savage repression by the colonial army illustrated by razzias, executions, the scorched-earth policy and the driving back of the tribes, accompanied by epidemics and famines, resulted in a negative growth of the population, and it is only after 1920, i.e. after 90 years, that the population was again as numerous as in 1830.

During that same period, more precisely between 1864 and 1868, years marked by famine and an extraordinary death rate, the Algerian people experienced what historians have called a veritable demographic slaughter: losses estimated at close to 1 million people. Tribes lost up to 67 percent of their people.

As a result, in 1872 Algeria had only 2,134,000 inhabitants. This new and deplorable situation of the Algerian people was to strengthen the trend toward high birth rates during this second period. This attitude was the result of its instinct of preservation that prompted it to survive and continue its struggle against foreign invaders.

Thanks to this behavior, we note that from 1872 to 1954 the demographic curve is first level, then consistently ascending with uneven periods due to epidemics and the two World Wars.

At the beginning of this century, the Algerian population was estimated at 4,089,000 people and, in 1954, it counted 8,745,000 inhabitants. In 50 years, the population had doubled.

The third period started on 1 November 1954, when the National Liberation Front found a people in possession of these human resources to resume the fight for liberation.

Using all their capacities, the French occupation forces supported by the French settlers were unable this time to break the indomitable will of the Algerian people which paid a high price to wrest its independence: 1.5 million of martyrs to the national cause.

For seven and a half years, demographic growth remained small, and for good reasons. Young people gathered in the maquis, others who survived torture were in colonial jails; hundreds of thousands of refugees settled on the borders of the neighboring countries. Inland, the people were packed in regrouping villages. To this should be added the many men in the prime of life who emigrated and worked in French mines, factories and ports.

In addition to its demographic consequences, the national liberation struggle, therefore, caused considerable disruption in the daily life of cities. The urbanization of the populations was accelerated, still more so after independence. Until 1954, the rural population predominated since only 15 to 20 percent of the total population lived in towns.

In the face of repression and to make up for its human losses, the Algerian people was more than ever strengthened in its attitude in favor of rising birth rates. On the eve of independence, a census yielded a figure of about 10 million inhabitants in Algeria.*

II. Economic and Social Development of the Country After 1962, and Demography

During the period that started with independence, the country experienced several political actions with far-reaching consequences, which drastically changed the people's living conditions.

The recovery of the national wealth and the rapid development of a State-owned economic sector, the Cultural Revolution, the Industrial Revolution and the Agricultural Revolution brought about in-depth changes in the Algerian society, both economically and socially.

This upheaval and these changes progressively created the conditions required for a change in the citizens' mentalities and more particularly in their behavior, as well as in the position of the State with respect to the demographic problem.

The economic development of the country, which experienced a high growth rate, resulted in an undeniable improvement in the people's standard of living and in particular in their purchasing power.

1. Evolution of the Main Indicators of Economic Development

Economic development progressed at a fast pace. During the years 1967-1982, domestic production increased by 6.9 percent.

The gross domestic production, exclusive of oil and gas, increased by 8.7 percent per year, which is accounted for by the strong growth of industry and of the building and public works sector.

These results were made possible through a considerable accumulating effort which rose by 27.2 percent during the period 1967-1978, and 9.2 percent during 1979-1982.

* In 1960, 2.5 million Algerians, i.e. one fourth of the population, had been "regrouped" in camps.

We should mention that the structure of the gross domestic production was modified in a relatively satisfactory manner since material production progressively gained the upper hand over other constitutive factors of the gross domestic production.

Actually, material production increased from 45.1 percent in 1973 to 53.5 percent in 1982. This reflected the expansion of production capacities.

The country's overall development did not fail to be reflected in the consumption level of the masses, which was markedly improved.

The evolution of these economic indicators and of those reflecting the masses' standard of living did not fail to have an impact on the development of a number of factors which in turn affected demography and the people's way of life.

2. Evolution of Decisive Demographic-Behavior Factors and Progressive Changes in the Way of Life

The factors which affect demography will also change the people's way of life. They are the urbanization phenomenon, the effort made in the field of education, the changes that occurred in production methods, and the status of women.

The economic development of the country and the departure of the settlers resulted in rapid but anarchic urbanization, which led to a deterioration of the built environment and the appearance of makeshift housing around large urban centers.

The rate of urbanization, which was 30 percent in 1966, and certain much lower on the eve of independence, rose to close to 42 percent in 1977.

The rural population, estimated to represent 75 percent of the total population in 1962, decreased markedly and now hovers around 50 percent.

Thus, according to 1977 census data, 22 governorates out of 31 showed a negative migratory balance. On the other hand, Algiers, Oran, Constantine and Annaba received a large influx of population.

This urbanization phenomena will lead to changes in the way of life of rural populations, and in the structure and nature of employment.

Employment, Education and Housing

From 1967 to 1983, employment grew at a considerable rate. From 1.75 million in 1967, the number of people employed rose to 3.576 million in 1982.

Far more important as far as living and working conditions are concerned is the breakdown of employment in terms of structures. In 1967, 50 percent of all jobs were in agriculture, but the trend was completely reversed during the period 1967-1978, so that only 34 percent of all those employed were working in agriculture in 1978; that level declined in 1983, when the relative percentage of agricultural jobs dropped to 27 percent.

On the other hand, thanks to industrialization, the percentages of jobs in the industry and in the building and public works sector rose steadily.

During the 11 years from 1966 to 1978, the percentage of jobs in the building and public works sector increased on the average by 11.8 percent (i.e. 328,000 new jobs) per year, while the number of industrial jobs increased by 5.9 percent per year (252,000 new jobs).

These growth rates were maintained until the period 1979-1983. The building and public works sector saw the creation of over 133,000 jobs (+ 8.3 percent) and the industry that of 88,760 jobs (+ 5.4 percent).

The effort made in the field of education, the progression of employment we just mentioned and, generally speaking, the economic and social changes taking place in the country modified the status of women. Increasingly, women took part in the active life of the country and liberated themselves from the difficult conditions they had known during the colonial period.

Thus, as far as employment is concerned, the place of women expanded progressively. Whereas few women were working after independence, their number kept increasing afterward and has now reached a rate of 7 percent, i.e. 250,000 working women, which is still a relatively low percentage.

However, in the near future, we should expect to see a far greater participation of women in the economic and social life of the country, and this is sure to have some impact on the family structure and size.

Finally, all the elements characteristic of the way of life of the people assume their full meaning with the effort made in the field of education.

Very poor just after independence and practically not available to girls, education reached a considerable rate of development in 1966: 1,485,514 students, including 1,370,357 in the primary cycle, and 115,255 in the middle cycle.

The considerable efforts made by the State in favor of this sector made it possible to achieve appreciable schooling levels in 1982: 4,233,000 students were going to school--3,241,924 to primary schools and 1,001,420 to secondary schools.

The rates of evaluation [as published] of the school student population are illustrated by the following schooling rates:

- in 1966, 44.61 percent of all 6-year old children were going to school (36.60 percent for girls);
- in 1982, the schooling rate of this age category was 81.23 percent (73.43 percent for girls).

We should note in particular the considerable progression of rates for girls between 1966 and 1982.

As it introduces improvements in teaching and training, the basic school--which provides for 9 years of compulsory schooling--will not fail to reduce the present dropout rates.

The efforts made in the public health sector since independence have resulted in improvements in the conditions of hygiene and health of the people.

The advent of free medicine, which extended the field of national solidarity, guarantees medical care and makes it accessible to all social strata.

In this field, there were 37,569 beds in 1982--most of which were in inadequate structures such as barracks and infirmaries--whereas health coverage through light units was practically nonexistent since it amounted only to 200 units, i.e. 1 unit for over 62,000 people.

In 1982, 4 hospitals, 222 polyclinics and 405 health-care centers were built and placed in service.

However, we should point out that what has been done remains much below the goals set--the goals being to meet the demands of free medicine, i.e. the extension of health care induced by the democratization of access to medical care throughout the country--for which 236 hospitals, 475 polyclinics and 790 health-care centers have been planned.

3. Shift in the Level of National Solidarity

The social and economic changes experienced by the country, especially with respect to urbanization and employment, have brought about radical changes in the structure of the family, in the broader sense of the term, and in the level of solidarity: family solidarity, in which a child offered a guarantee for the old age of the parents was replaced, through the extension of social security and in particular social security pensions, by a national solidarity which guarantees that older workers are free and independent with respect to members of their families.

An analysis of demographic evolution reveals a rather high rate of demographic growth. The Algerian population, which consisted of 10.6 million people, doubled within 20 years.

This was due essentially to the reinstitution of society after independence and to the impact of economic and social development, which provided better living conditions for the people.

Whereas, in absolute terms, we note a strong demographic growth, nevertheless the different effects of economic and social development are beginning to create conditions favorable to a decline in the rate of growth.

The first signs of this decline are appearing in the death and birth rates, which have steadily decreased since 1970.

The death rate, which was 16.7 percent in 1970, dropped to 8.87 percent in 1983.

As for the birth rate, it reached 40.45 percent in 1983, instead of 50.1 percent.

This was reflected in a slight decline in the rate of demographic growth, from 33.4 percent in 1970 to 31.6 percent in 1983.

This period was marked by:

- a maturation of the factors which indirectly affect demography (urbanization, housing, national solidarity, employment and education);
- a drop in the birth and death rates;
- decreased support for high birth rates and increasing awareness of the need for a demographic policy related to the country's overall development policy.

Lacking a national family-planning policy and an important program a series of efforts to increase awareness and to implement the means that will enable populations and families to space out births--the above-mentioned factors having had a relative influence on the country's demographic evolution. [as published]

In other words, the prerequisites that must first be met will work only if a national demographic planning policy is adopted and rigorously applied.

III. The Reasons of a Demographic Policy

1. To Make Man Equal To the Demands of His Century. To Ensure the Development of the Country and the Welfare of the People

The international environment is currently experiencing great disruptions which worry even the most out-and-out optimists. The process of international adjustment is not working well, and this causes imbalances which have a negative impact, in particular on Third-World economies. The gap between developed countries and Third-World countries is steadily assuming a disquieting proportion, which increases economic dependence.

On the other hand, the industrial mutations which have been forced upon the economies of developed countries have given rise to a process of considerable scientific and technological development, which developing countries will have trouble initiating because of their development level and their dependence on the developed world.

Although Algeria started a development process aimed at severing dependence ties with foreign countries, it still suffers the indirect consequences of the international crisis and of the large industrial mutations.

Therefore, in this context of crisis, our country must determine what stakes are vital and implement an appropriate development strategy that will to a large extent give priority to scientific and technological development, based on the country's actual needs, while bearing in mind the necessity to revise the current forms of technology transfer within the country.

The promotion of "scientific activity" is a prerequisite to promoting and acquiring technology while ensuring, as provided in the National Charter,

that "this is accompanied by an in-depth effort to develop an environment in which we can derive from it all the benefits we expect. Lacking this environment, technology may become a source of considerable losses, and even of road-blocks to development."

To achieve this, schooling and education will have to undergo necessary changes to absorb the new realities and meet the challenges imposed upon us by scientific and technological development and thus enable our country to fit into this dynamic system which is certainly vital as far as our country's economic development and political independence are concerned.

The education and training system must endeavor not only to improve school curricula but also to teach all those who will contribute to mastering the most complex development tools.

Thus, the strategic objective as far as science and technology are concerned will be to reduce our country's dependence in this field and to ensure that it acquires actual expertise in the sciences and technologies geared to solving major development problems.

2. To Ensure the Welfare of the People and the Stability of the Algerian Family

By the year 2000, our country will have close to 35 million inhabitants. The social needs resulting from this demographic growth imply that we continue our present effort in the economic and social fields. "Investment priorities, however, must be refined, and the mode of consumption must be better adapted to the present and future potential of our economy, and inflect them to reflect actual production."

While making the necessary adjustments that will enable certain sectors to play a leading role, investments in the social sector will have to be sustained so as to alleviate the imbalances observed and meet the people's needs quantitatively and qualitatively.

The ever-increasing needs in the fields of health, housing and education, which are decisive factors of social stability, will require very considerable efforts from our economy as a whole.

The challenge which our country must face is considerable. In allocating our resources we must take into account, on the one hand, the need to meet the social needs expressed and, on the other hand, the necessity to enlarge the material base that is indispensable for the industrial sector in particular and the economy in general.

Indeed, the impetus given to the industrial sector will tend to continue our country's industrialization and to enable it to assume responsibility for the creation of over 1 million jobs by the year 2000.

Demographic pressure has more the meaning of a relation between the economy and the people at a given time in the history of a social formation. It is

in the increasing imbalance between production and reproduction that the concept of demographic pressure expresses itself; the demand structure determined by the volume and structure of the population finds itself out of phase with the production system.

To restore a harmonious relation between the economy and the population, we must first and foremost increase our efforts to reduce the death rate among young children, which is still very high and, among other things, causes society to view high birth rates as an absolute necessity.

The replacement of large families by a family structure better adapted to present-day social standards should constitute the main facet of a dynamic demographic policy.

In Article 65, the Constitution provides that "the family is the basic cell of society. It shall be protected by the State and by society. The State shall protect mothers, children, young people and old people, through an adequate policy and adequate institutions."

Family protection, if it is not to become a burden for the State, implies the implementation of adequate measures to enable the full development of each of its members in every respect.

In the context of a dynamic health policy, prevention is the appropriate answer to achieve this goal. The fight against sickness and infant mortality provides the orientations of the measures that must be taken if we are to achieve a sound promotion of the family and, therefore, enable it to make its full contribution to the economic, cultural and social development, in keeping with the demand of modern times.

IV. Need For a Demographic Policy and a Rigorous Planning of Our Capacities With Respect to the Socioeconomic and Political Objectives of the Country

1. Demographic Evolution in Years to Come

The need for a consistent demographic policy tending to bring demographic growth under control is the result both of the characteristics of demographic evolution during the second half of the 20th century and of the way they are related to the goal of economic, social and cultural development, as mentioned in the draft of the general report of the Ministry and Planning and National Development.

The strong demographic growth characteristic of the evolution of the Algerian population is certainly one of the main constraints of development. Through its effects, it may hinder development by limiting the State's investment capacity. It can throw back into question the efforts made to raise the citizens' standard of living and improve their surroundings.

Economic and social needs change far more rapidly than the resources provided by the economy; the rural exodus may accelerate, and regional or social discrepancies may also get worse. The goals to improve the quality of life and the efficiency of programs may be increasingly postponed, the demand for quantity taking precedence over that for efficiency.

2. Prospective Evolution of the Algerian Population

The prospective evolution of the resident population, as it emerges from projections made by the Ministry of Planning and National Development, indicates that demographic growth could continue until the year 2000 at a rate that would double the population every 22 years (3.2 percent).

This covers only the resident population living on the national territory. To it, we should add the Algerian emigrant population, now estimated at over 1 million.

The observed trend in Algerian birth rates from 1962 to the present period, and the expected short-term trend--i.e. until the year 2000--justify the conclusion that the decline in birth rates during the second half of the 20th century is part of a historical trend of slow decline that would make it possible to achieve birth rates corresponding to generation renewal during the period 2040-2045. Algeria could then have a resident population of 91 million inhabitants, but growth would still continue for another 80 years, so that it would have a population of 120 million by the end of the 21st century.

In the short term (by the year 2000), the age structure of the Algerian population would still show a proportion of 54 percent of young people under 20.

The population of children aged 6 would increase from 581,000 on 1 January 1980 to 1,016,000 on 1 January 2000, i.e. an average annual growth rate of 2.8 Percent.

The school-age population (6 to 14 inclusive) would increase by over 3,940,000, reaching a total of 9,044,000.

As for the active population, it would increase by 4,662,000.

However, due to the age structure and the small number of women taking part in the economic activity, the rate of activity would be only 24.2 percent, compared with 20 percent in 1980.

The ratio of dependent children (age 15), which shows the burden placed on the active population, would be 0.81 compared with 0.93 in 1970 and 0.90 on 1 January 1984.

We should note all the implications of the expected evolution of the volume of the resident population, with respect to social demand and in view of the objective to improve the citizens' quality of life.

3. Social Costs

The planning of economic and social development, especially in the context of socialism which is a basic political choice reflecting a profound aspiration of the Algerian people, must of necessity take demographic trends into account.

Estimates of a Few Demographic Parameters

Years	Population on 1 Jan. (estimated)	Births (excl. of deaths)	Deaths		Gross Birth Rate	Gross Death Rate	Infant Death Rate
			Infants	Age 1 & over			
1982	19,680,000	800,895	60,631	112,272	40.62	9.08	83.66
1983	20,194,000	822,431	60,609	112,800	40.45	8.81	82.33
1984	20,843,000	--	--	--	--	--	--

[as published]

Demographic Projections - 1985-2010

Year	Population (millions)	Under Age 15		Over Age 65	
		(millions)	(%)	(millions)	(%)
1980	18.35	8.57	46.7	0.72	3.9
1985	21.65	9.95	45.9	0.77	3.6
1990	25.61	11.64	45.4	0.85	3.3
1995	30.31	13.65	45.0	0.97	3.2
2000	35.69	15.78	44.2	1.16	3.3
2005	41.81	17.98	43.0	1.36	3.2
2010	48.65	20.21	41.5	1.52	3.1

Years	Birth Rate	Death Rate	Annual Increase	Doubling Time	Repro- duction Rate	Life Expectancy
1975-1980	41.0	9.0	3.15	22	6.40	61
1980-1985	41.8	8.8	3.30	21	6.08	63
1985-1990	41.1	7.6	3.35	21	5.77	65
1990-1995	39.7	6.0	3.36	21	5.45	68
1995-2000	37.7	5.1	3.26	21	5.13	70
2000-2005	35.9	4.3	3.16	22	4.82	72
2005-2010	33.9	3.6	3.03	23	4.50	74

Although the results obtained by the country's economy during the past few years are promising in many respects, despite the context of crisis which now characterizes international relations, we still have to use rationally and efficiently all of the human and material resources available to our country, so as to protect it from the undesirable conditions resulting, on the one hand, from the international economic crisis which tends to get worse and, on the other hand, from an ever increasing demographic pressure that may cancel out the effects of the economic growth achieved by the country through considerable sacrifice.

The extroversion of the Algerian economy places it in a position in which it suffers the repercussions of the international crisis, which is characterized by monetary instability, increasing prices for manufactured goods, disruptions

Age Structure of the Algerian Population

Age Group	In 1980			In 2010		
	Total	Male	Female	Total	Male	Female
0-4	3,308	1,687	1,621	7,507	3,821	3,686
5-9	2,827	1,439	1,388	6,738	3,422	3,316
10-14	2,432	1,239	1,193	5,964	3,022	2,942
15-19	1,993	1,016	977	5,241	2,648	2,593
20-24	1,583	808	775	4,490	2,262	2,228
25-29	1,304	655	649	3,775	1,896	1,879
30-34	921	435	486	3,158	1,592	1,566
35-39	698	315	383	2,711	1,366	1,345
40-44	691	325	366	2,306	1,161	1,145
45-49	634	294	340	1,869	937	932
50-54	500	233	267	1,448	724	724
55-59	404	189	215	1,150	565	585
60-64	335	156	179	770	354	416
65-69	268	124	144	535	233	302
70-74	218	100	118	452	203	249
75-79	126	56	70	317	138	179
80 and over	112	47	65	218	93	125

Source: National Bureau of Statistics - Algeria

Note: Working assumptions: slow decline in the reproduction rate (4.5 [per cent] in 2005-2010); increasing life expectancy (74 years in 2005-2010).

Evolution of Natural Growth Rates in Algeria From 1901 to 1983 (Average Annual Rates Per Thousand)

Periods	Birth Rates	Death Rates	Natural Growth Rate
1901-1905	37.8	32.8	5.0
1906-1910	35.5	30.5	5.0
1911-1915	35.3	27.4	7.9
1916-1920	34.9	31.4	3.7
1921-1925	37.2	29.4	7.8
1926-1930	42.3	26.6	15.7
1931-1935	43.4	25.3	18.1
1936-1940	42.1	25.1	17.0
1941-1945	42.9	43.1	0.2
1946-1950	42.2	32.2	10.0
1951-1955	47.4	20.6	26.8
1956-1960	45.6	--	--
1961-1965	48.5	14.6	33.9
1966-1970	47.8	14.9	32.9
1971-1975	50.1	16.7	33.4
1976-1980	47.3	15.9	31.4
1981	44.4	12.9	31.5
1982	41.04	9.49	31.5
1983	40.62	9.08	31.5
	40.45	8.81	31.6

Demographic Evolution Since 1845

<u>Year</u>	<u>Population</u>	<u>Year</u>	<u>Population</u>
1845	2,028,000	1921	4,923,000
1851	2,324,000	1926	5,151,000
1856	2,310,000	1931	5,588,000
1861	2,737,000	1936	6,201,000
1866	2,656,000	1948	7,460,000
1872	2,134,000	1954	8,745,000
1876	2,479,000	1966	12,018,000
1881	2,842,000	1977*	16,780,000
1886	3,287,000	1980*	18,375,000
1891	3,577,000	1981*	18,956,000
1896	3,781,000	1982*	19,680,000
1901	4,089,000	1983*	20,194,000
1911	4,741,000	1984	20,843,000

* Estimated on 1 January of each year.

of international trade, an unprecedented food blackmail and, lastly, a demographic explosion in Third-World countries that is assuming dangerous proportions and, basically, poses the obsessing problem of the world food balance. Without being apocalyptic, future prospects are most disturbing and the future of nations must now be seen in terms of a challenge with respect to the technological stake and a profound mutation observed in all fields.

In this context, Algeria must apprehend these phenomena, evaluate their impact and act rapidly and firmly to ensure for the country, and especially for future generations, an economic and social development in keeping with the demands of the time, with full national sovereignty.

This requirement calls more than ever for firm and sustained efforts, in the context of a global vision of medium and long-term development, taking into account the radical changes of all kinds that mankind as a whole is now experiencing.

For the present, we are concerned about determining whether, in the near future and taking into account the growth of our population and national resources, we shall be able both to take up the challenge of profound worldwide mutations and to meet the overall social needs of the Algerian people, which cannot fail to undergo radical quantitative and qualitative changes.

In other words, will our resources--most of which are derived from accumulated funds resulting from oil and gas taxation--be adequate to meet these two imperatives?

On the other hand, the need to guarantee our country's long-term energy supply implies that we must reduce our present export volume. As a result, receipts from oil and gas exports will no longer cover our incompressible import needs, even under optimum conditions of utilization of the national resources.

Faced with the certainty of a particularly disturbing future, the only solution we can envision for the year 2000 is to restate our priorities, essentially on the basis of the principle of rational use of human and material resources and, ultimately, to give up a number of concepts and habits. In this respect, social needs will essentially have to be covered by resources other than those accumulated from oil and gas.

The demographic evolution will give rise to considerable social needs which our economy will have trouble satisfying in full, due to its special characteristics. Social tensions could arise if these needs were not met, especially as far as food is concerned.

In this context, the projections of the Ministry of Planning and National Development show the evolution of the demand for social infrastructures and consumer goods, which is of unprecedented scope and represents an unbearable burden on our national resources. Two particularly sensitive sectors, those of housing and food production, which have a very low rate of growth, reveal a trend toward markedly increased deficits.

Employment

During the next 15-year period, the active population will increase at the rate of 4.5 percent, i.e. about 4.5 million people based on 1983 figures, to reach close to 9 million people at the end of that period, some of whom can be reasonably assumed to be returning emigrants (approximately 400,000).

To achieve full employment, the labor market will have to be reorganized so as to better reflect the possibilities offered by the various sectors of activity:

- a large number of new jobs will have to be created in the Algerian economy, and this will imply that an effort is made, taking into account the limitations of the industrial sector, and that priority is given to agricultural development, on the one hand to stabilize the rural exodus and, on the other hand, to rejuvenate the labor force.

Indeed, in the post-oil era, the national economy will have to be in a position to find new export resources and, considering the probable evolution of economic development, these could come only from the industrial sector. However, the products and services that could be exported will have to meet conditions of productivity and quality in order to be competitive on the international market. In the face of radical industrial changes and, generally speaking, the progress of robotics and technology.

If the industrial sector is to take up this challenge, it will eventually have to undergo profound mutations, through the acquisition of new production methods which cannot fail to have an impact on employment.

Certainly, this is one more reason to give priority to the agricultural sector when allocating investments in order, on the one hand, to ensure full employment and, on the other hand, to meet a far more strategic challenge: food self-sufficiency.

Education and Training

The goals set to achieve the full blossoming out and development of the Algerian society and meet the challenge of the times presuppose, as far as men's preparedness and education are concerned, a strategy of democratization of knowledge and knowhow. The efforts undertaken in this field are of unprecedented scope. The efforts to be made in years to come will tend to consolidate the progress made and enhance the level of education, which is resolutely geared to science and technology, in order to meet the challenge of industrial and technological mutations that mankind is experiencing now.

To do this, the rates of schooling, supervision and employment will have to undergo a positive evolution, to ensure that school as a whole becomes the crucible of social and technological progress.

Education must cover not only school curricula, but also training and proficiency programs for all those whose task it will be to master the most complex instruments of development.

Such an objective implies the construction of teaching and training infrastructures in keeping with demographic growth. The cost of these infrastructures until the end of this century is estimated at close to 165 billion dinars (at 1981 prices), as follows:

- 80 billion dinars for basic and secondary schools;
- 24 billion for vocational training;
- 44.5 billion for secondary schools;
- 25 billion for higher education.

For the period in question, these expenditures correspond to the construction of 100,000 classrooms, 2,136 CEM [junior high schools], 380 high schools, 536 technical schools and 350,000 new openings in higher education (higher technicians and cadres).

Housing

The short, medium and long-term demand for housing is particularly high, due to the convergence of a series of factors (demographic, social and economic factors). The housing shortage has a profound and extensive economic impact on all sectors of activity.

For the moment, it is one of the main burdens that significantly affect national development.

In spite of the considerable efforts made in the past four years, the rate of housing construction remains low compared with the expressed demand, due to the conjunction of a number of internal and external factors.

Private home-construction, which was widely expected to alleviate the burden of the State, suffers from objective limitations due mostly to the inadequacy of savings, the administrative red-tape in buying building lots and, finally, a chronic scarcity of building materials.

At the end of 1984, the total number of housing units is estimated at 2.75 million, 500,000 of which are ancient and dilapidated and must be replaced, which places an additional burden on the production apparatus. The deficit for this period is estimated at 2 million housing units, according to assumptions made on standards for housing to be built and the desired rate of occupancy per unit.

Taking an average assumption reflecting all existing housing units, the rate of occupancy per unit at the end of 1984 is estimated at 7.8, which is excessively high compared with the acceptable average provided by housing standards.

The goal is to reduce the rate of occupancy per unit to an acceptable level, which could be around an average of 5. To do so, and to meet the demand of demographic growth, we shall have to build 4.5 million housing units until the year 2000, which will require financial resources amounting to 800 billion dinars, under present cost and productivity conditions. Under this assumption, the present rate of construction should increase to close to 500,000 housing units per year by 1999, i.e. a 4.5-fold increase in 15 years.

Such a significant development of the housing sector implies that the building sector will have to give up its present methods of organization and production in favor of a new dynamics based on the industrialization of building methods and a necessary improvement of productivity, which unfortunately remains very low.

The goal of reducing the rate of occupancy to 5 through the construction of 4.58 million housing units will obviously be hard to reach due to the present and future situation of the country's economy and to the performance level of the production apparatus which, objectively, will not be capable of sustaining such a rate of growth.

On the other hand, social or even political tensions could arise if the housing shortage were to persist so that, in view of the objective constraints we just mentioned, it is imperative to try and achieve a rate of occupancy of at least 5.5 by the year 2000, and this will require the construction of close to 3 million housing units at a total cost of 500 billion dinars under present economic and financial building conditions.

Without prejudice to the financial means that will have to be found to achieve this minimum objective, it is important to stress the importance of what is at stake in the construction of these 3 million housing units, when the same production apparatus will also be in charge of building the many other social and educational infrastructures that will be required to meet the exceptionally high demand that will make itself felt around the end of 1999.

Meeting the Demand for Food

As a result of demographic growth and the increase of household income, food consumption will undergo spectacular quantitative and qualitative changes during the next period.

The evolution of food supply and demand will not fail to weigh heavily on the decisions that will be made concerning the allocation of financial resources, not to mention the evolution of production as a whole.

Considering the various types of constraints already identified, it appears doubtful that the country will reach food self-sufficiency. The recovery efforts expected from the agricultural sector will certainly alleviate in the long run the discrepancies existing between supply and demand, but imports will nevertheless remain unavoidable, unless our consumption pattern is drastically altered, which would not be without danger.

The assumptions adopted show a positive evolution of the production of vegetables, meat, eggs and fish. On the other hand, no matter what we do, considerable amounts of cereals and fats (butter, oil) will have to be imported, despite the expected reduction of per-capita consumption due to substitutions. According to the projections of the Ministry of Planning and National Development, the evolution of consumption will be as follows:

Products	Per-Capita Consumption		Total 1999 Consumption
	1979 (kg)	1999 (kg)	
Cereals			500,000,000 quintals
and cereal products	186	144	5 tons
Sugar and sweets	16	20	1,225,000 tons
Eggs	1.2	5	42,000 tons
Fish	2.2	6.5	227,500 tons
Butter	2	4	140,000 tons
Oil	14.8	12	420,000 tons
Meat			
- poultry	4.2	10	350,000 tons
- red meat	11.5	16	630,000 tons

An analysis of food-consumption projections reveals the seriousness of the problem that Algeria will have to overcome through a far more sustained development of the agricultural sector and by providing impetus to the fisheries and water-supply sectors.

For certain food products, imports could be reduced considerably in time thanks to the expected development of the agricultural sector, but for other products, especially cereals, our country has reached an extremely serious level of dependence that makes it vulnerable.

As far as self-sufficiency with respect to agricultural production is concerned, we should remember the constraints of soil and climate, two basic elements of agriculture which are not in favor of agricultural development.

With 7.5 million hectares, the useful agricultural area represents only 3 percent of the Algerian territory. The low rate of afforestation (10 percent), the importance of erosion (100,000 m³ of arable land are lost every year) and that of desert expansion are natural constraints which add themselves to the development problems experienced until now.

Wheat production, which averaged 17 million quintals during 1970-1977, is expected to reach 18 million quintals in 1985 and 22 in 1990.

During the same period, consumption rose from 28 million quintals to 38 and 44 respectively.

The deficit, therefore, will keep increasing: from 9 to 22 million quintals.

As far as barley is concerned, the deficit will be as follows (in millions of tons of barley):

<u>Years:</u>	<u>1970-1977</u>	<u>1985</u>	<u>1990</u>
Production	0.55	0.72	0.86
Consumption	<u>0.66</u>	<u>0.86</u>	<u>1.04</u>
Deficit	0.11	0.16	0.18
		[as published]	

This dependence is fully reflected in the evolution of food and beverage imports, which rose from 680 million dinars in 1970 to 4.633 billion in 1975 and 8.745 billion in 1982.

The following table speaks for itself:

<u>Products</u>	<u>Share of Imports in the National Demand</u>			
	<u>1967-1969</u>	<u>1970-1973</u>	<u>1974-1977</u>	<u>1979-1982</u>
Cereals	28%	29%	50%	65%
Legumes	12%	8%	40%	85%
Eggs	4%	35%	47%	75%

This situation is not without danger in a world context of crisis characterized by threats and a food blackmail that could be used as a means of political pressure.

The overall rate of dependence for cereals rose from 41 percent in 1968 to over 80 percent in 1983. For hard wheat, which plays an important part in our consumption pattern, this dependence phenomenon is far more serious.

The United States and Canada alone cover 90 percent of the world hard-wheat market, i.e. they enjoy a monopoly. In an unstable world, the world economic crisis and hunger in the Third World can be factors of tension that should not be overlooked.

These are exceptionally serious data, the consequences of which we must draw. The failure of decades of development sponsored by the United Nations, of the North-South dialogue, and the limitations of South-South cooperation force us to "refine our approach to reflect the scope of the problem," to organize ourselves adequately for the decisive stages, so that the principle of self-reliance becomes a fact.

9294

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EGYPT

BAHA'-AL-DIN COMMENTS ON RELATIONS WITH ISRAEL

Paris AL-MUSTAQBAL in Arabic No 408, 15 Dec 84 p 9

[Editorial by Ahmad Baha'-al-Din: "A Report on Relations between Egypt and Israel: Communications in Rome Yielded Nothing"]

[Text] I was asked by AL-MUSTAQBAL to comment on the state of relations between Egypt and Israel. I was asked what was the effect on Israel of Arab changes in the area, those changes that had to do with Egypt.

Let me say this to readers of AL-MUSTAQBAL.

First, Israel does not say much. But an observer who scrutinizes statements that are being made and issued as well as commentaries appearing in Israeli newspapers in particular can put together a view that I believe could come very close to the truth.

Second, Israel makes no secret of the fact that it is disturbed by Egypt's recent actions, most importantly, the restoration of full relations between Cairo and Amman and the visits between King Husayn and President Husni Mubarak. Israel is also disturbed by the meeting of the PLO's National Council which was seen on television in its entirety by every Palestinian living under occupation. Palestinians heard the Palestine National Council [PNC] debate the PLO's relationship with Egypt and the decision that was made by the PNC in that regard.

Third, President Mubarak's actions on the Arab front since he came to office have thus angered Israel. When Begin was in office, Israel had protested those actions officially, but Egypt had rejected those protests. Under Yitzhak Shamir Israel's protests became complaints that the Israeli government made to the United States which conveyed those complaints to Egypt. Both Israel and the United States would describe the situation by saying that "Egypt was sliding all over again into relations with the Arabs."

It is no secret that Menahem Begin and then Yitzhak Shamir used to press for a meeting with President Mubarak; nor is it a secret that the United States had applied considerable pressure to arrange such a meeting. That meeting, however, never took place.

Shimon Perez, however, has come to power with a different policy toward Egypt.

When Perez was still hoping he could win the elections and form a Labor Party government, the signals he sent out stated that the central principle of his government's policy in the area would be improving Israel's relationship with Egypt and reviving the cold peace between the two countries at any price. To some people that meant that Perez had to be prepared to undertake important initiatives, particularly the withdrawal from Lebanon, a solution to the problem of Taba, and stopping the construction of settlements on the West Bank. To others Perez's proposed emphasis on improving relations with Egypt meant that no action would be taken to solve the problem of the Middle East, but rather that a rift would again be created between Egypt and the Arabs and every bridge that had been built in that regard would be destroyed. This view of what Perez said was based on the notion that that was still the most important achievement that Israel could make since it was founded.

Fourth, Shimon Perez did in fact become prime minister, but he did not come into that position with the electoral victory that he had anticipated. Consequently, he was compelled to form a partnership with the Likud bloc. In other words, he came into office with Shamir, Sharon and the rest of that gang. Consequently, his hands are tied. Perez came into office with an agreement to share his term of office as prime minister with Shamir. In other words, he has no more than 2 years [to deal] with the current situation.

Therefore, Perez tried to turn the weakness of his position into a tool by means of which he could either apply pressure or offer an incentive.

Therefore, the United States began using another rationale in applying pressure to Egypt to get it to moderate its posture toward Israel. The United States was saying that Shimon Perez should be helped and that he should be given a few victories. I think the United States used the same rationale with other Arab countries, but it used it primarily with Egypt. Its point of view in that regard was that if Perez felt that his position was a strong one, he could contrive a crisis with the Likud and he could then govern by himself even if he were to hold new elections. If Perez were to succeed in getting rid of pressure from the Likud gang so he can act freely, then settlements in the area on all fronts will become possible. This is because Perez is prepared to make a full withdrawal from Lebanon without stipulating that Syria withdraw too. Perez is also prepared to come to an understanding on the subject of Taba, and he is prepared to negotiate over the West Bank. This is what he had declared he was prepared to do in the name of the Labor Party before the elections.

Fifth, Perez was not satisfied with these signals that were sent by way of the U.S. government. He went directly to Egypt.

THE JERUSALEM POST published a report on contacts that were made in France between Egypt and Israel on the Taba question.

If my information is accurate, there was only one contact about this matter, and it was made in Rome by the ambassadors of the two countries. However, that contact yielded nothing.

Egypt is saying that enforcement of the agreements requires the parties to turn to arbitration when negotiations fail. Israel is saying this is true, but it does not think that the period of negotiations has come to an end.

To that Egypt responds by saying, "But Israel can spend 10 years saying that the period of negotiations has not yet come to an end!"

Shimon Perez, however, did send another signal in the form of a news report that was also published in THE JERUSALEM POST. The report stated that Perez had an initiative on the Taba matter which would begin with a phase based on establishing a joint economic project in Taba. Perez did not elaborate on the details of that project. However, the newspaper made a curious statement here. It stated that the project, which would require a joint Israeli-Egyptian presence on Taba, would be funded by an Arab country.

Is this a reasonable suggestion?

Did the newspaper make a mistake?

Was that a trial balloon?

What is also significant is that the second part of the news report stated that Perez did not want to come forward with his initiative unless he felt in advance that the other party was at least willing to discuss it seriously. Otherwise, as Perez himself said, "There would be no need to provoke a battle with the Likud bloc over an initiative that is not going to succeed."

In Cairo, however, the feeling is that the upshot of all this is that so far Israel has not undertaken anything new. It has yet to make significant decisions in Lebanon, in Taba and on the West Bank.

Egyptian diplomats still remember that when Menahem Begin was prime minister and when Ezer Weizman was minister of defense, both men would request meetings with President al-Sadat who would meet with them. Then it would turn out that the only purpose for the meeting was to use it for domestic purposes in Israel or to cover up an action such as bombing the nuclear reactor in Iraq a few days after one of those meetings.

That line about "helping Perez" has not yet been linked with anything clear and specific which Shimon Perez would offer in return for that help. Consequently, it is feared that this may be a continuation of the policy that Israel has pursued under all its governments: a policy of taking what it wants without giving anything in return.

Sixth, Egyptian, Jordanian and Palestinian premises are not identical, but it seems to me that the most important factor bringing the three parties closer together is a sense of the danger which the passage of time poses to the Palestinian cause and to the Israeli occupation of Lebanon and the Golan. The passage of time is dangerous to the fragmentation of the Arabs which has left the scene with no initiatives which could revive the cause, renew pressure on the United States and on Israel and alert world public opinion to the gravity of the situation.

Seventh, what remains is Israel's attitude toward Egypt's rapprochement with the Arabs. Egyptian officials responded to that with candor. Israel's notion that

Egypt has to stay away from the Arab world is both curious and irrelevant. Furthermore, this is a matter that is a function of Egypt's sovereignty. It is Israel that has violated all the pledges it has signed, and it is Israel that still persists in its blatant violations.

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EGYPT

FOREIGN MINISTER JUSTIFIES WITHDRAWAL FROM ARAB REPUBLICS UNION

Cairo AL-AKHBAR in Arabic 8 Oct 84 p 4

[Interview by Muhammad Barakat; with Butros Ghali, minister of state for Foreign Affairs, date and place not specified]

[Text] Last week the People's Assembly approved Egypt's withdrawal from the Union of Arab Republics the membership of which had included Syria and Libya. This decision has come as an acknowledgement of the obvious fact that this union had lost any meaning or purpose following the developments in the Arab scene during recent years.

The decision to withdraw, the reason for it, and the attitudes that led to its being taken after the union was founded in 1971 were the subject of an interview given to AL-AKHBAR by Dr Butrus Ghali, minister of state for Foreign Affairs. He said that Egypt participated in this union in the belief that it would bring about Arab liberation and that it was the first step on the road to the achievement of unity.

But all these hopes for the union were dissipated when it lost all its basic raisons d'être. Despite Egypt's withdrawal from the union, Egypt continues to believe in unified Arab action based on firm foundations. In order to achieve this Egypt at present is working to prepare a new program for action by the Arabs as one entity. The following is what Dr Ghali said:

[Question] Would you please throw some light on the Union of Arab Republics from which Egypt yesterday announced its withdrawal? What were the circumstances that provided the impulse for participating in its founding in 1971?

[Answer] After President al-Sadat assumed office the Arab nation was going through a battle for Arab liberation and was engaged in a decisive and fateful struggle in defense of its existence and its faith. The unity of the Arab nation, with the capabilities it affords and the political, military, and economic power that it offers, would always provide the reply to any challenge. It would be the way to regain honor, liberate the land, and overcome backwardness in the Arab homeland. The heads of Egypt, Syria, and Libya, in the agreement they signed in Benghazi in the form of a declaration on 17 April, 1971 establishing the Union of Arab Republics, proceeded from

the basic points of departure that constitute the cornerstone of the structure of unity. These points are represented in the goal of creating a "political front" among themselves to achieve mutual action and intercommunication among the peoples of the union, unify the methods of political action in the three republics, and create an atmosphere conducive to the carrying-out of a single Arab line of action.

Subsequently the heads of the three states agreed on the union's constitution in Damascus on 2 August, 1971. The constitutional authorities in Egypt ratified the agreement establishing the Arab Republics [sic], and on 29 April, 1971 a decree by the president of the Egyptian republic approving the agreement was issued. This was followed by the confirmation of the Benghazi declaration, the basic principles of the union, and the constitution of the union of republics through a popular referendum in the three states on 1 September, 1971, and it came into effect as of that date.

On the basis of a factual examination of the characteristics of the union and the text of its constitution one can say that it represents a form of contractual or confederal union. It was in harmony with the content of Article 9 of the Arab League charter which, like the charter itself, permits League states that desire closer cooperation and stronger ties among themselves to agree among themselves to whatever they wish in order to achieve these aims.

Development of Relations

[Question] How did relations among the parties to the Union of Arab Republics develop after its founding? How were the principles and bases on which it was established reflected in the sphere of practical application?

[Answer] Egypt had taken part in the founding of the Union of Arab Republics out of a belief in Arab liberation, and Egypt regarded this act as a first step on the road to the realization of the Arab people's hope for all-embracing Arab unity. However, and most unfortunately, hopes for this union were quickly dashed. In practise it worked out in a manner diametrically opposed to the values and objectives on which it was based and which it was expected to strive to realize. The membership of the union, the sixth article of the constitution of which stated that it was open to all the Arab states, did not expand despite the passage of 13 years since it was established. Futhermore, the foreign policies of the states that were parties to the union conflicted with one another instead of having a common basis, and Egypt adopted positions and policies radically different from those of the two other parties. This conflict did not stem from policy toward problems of secondary importance, but from differences regarding various vital national problems, particularly the Middle East problem, the restoration of Arab rights, a peaceful settlement of the Arab-Israeli conflict, and the guarantee of the national interests of the Palestinian people. In addition, there was the Iraqi-Iranian war in which Egypt was obliged to support Iraq while both Syria and Libya tended to back Iran -- and so forth.

In the sphere of the national security of the states that were parties to the union, which was the foremost of the vital obligations that the union

aimed to take care of, Libya began to pursue a policy designed to threaten the national security of Egypt, carry out operations to assassinate and kill its peaceable Egyptian brothers by putting explosives in densely populated places, making attempts against the lives of the citizens, and threatening the security and stability of the Sudan, which is regarded as the strategic underbelly of the union.

In addition, there was the complete failure that marked the union's activity in all the spheres designated in its basic precepts. This included the fields of national economic planning for the states that were parties to the union, the drawing-up of joint development plans, a common educational policy, and the coordination of information policy in order to serve the objectives and the strategy of the union.

An Organization in Name Only

As for the councils and institutions of the union, the most important of which were the Presidential Council, the Union National Assembly, and the Constitutional Court, some of them were formed in name only without having been put into operation for even one day. Others were never constituted at all.

Whoever follows the course of relations among the member states of the union has no trouble in discerning the extent of the deterioration of the relations among the parties concerned. This sometimes amounted to veiled hostility, though mostly the hostility was open. These relations reached their lowest point with the occurrence of armed clashes between Egypt and Libya in July, 1977.

There is a deep gulf that shortly after the union was founded developed between the sense of the declaration establishing the union and its basic principles on the one hand, and the actual relationships that have resulted from developments between the parties to it on the other. In the field of its practical application, Syria and Libya refused to accept the most elementary bases of Arab cooperation that the Arab states had been eager to establish even when relations among them were in a critical state. Indeed, they adopted a course of isolating Egypt from the Arab world and carried on a campaign for breaking relations with Egypt.

Moreover both Syria and Libya, instead of working to achieve Arab unity and common Arab action, proceeded to act aggressively and launch attacks denouncing Egypt's policy and accusing it of treason. This inevitably ended in a break in diplomatic and consular relations and the complete absence thereof among these fraternal states the depth and interconnectedness of the interests of whose peoples require some minimal relations regardless of the circumstances.

No Restriction on Withdrawal

[Question] Does the Union's constitution provide that any of the parties to it has the right to withdraw without consulting its other members?

[Answer] For all the reasons and circumstances just referred to it was logical that the Arab Republic of Egypt should withdraw from the Benghazi Declaration and the basic provisions of the Union of Arab Republics. In view of the fact that the basic provisions of the Union do not contain any language relating to withdrawal, there is nothing to hinder any party from withdrawing. It is the same as in the case of the charter of the United Nations, where any state is completely free to withdraw from the organization without any conditions or special procedures. This being the case, one can bring to bear in these circumstances the general rule that if there is no specific language it is the general rules that are applied. The general rules regarding withdrawal from this agreement are contained in the Vienna Convention on the law of treaties, to which Egypt adhered in October, 1981. The relevant provisions of the Vienna Convention are Articles 60, 61, 62, and 63, which read approximately as follows:

A. Article 60 of the Vienna Convention provides that any violation of a multilateral treaty empowers the other parties, either individually or collectively, to suspend the implementation of the treaty. By "material violation" is meant the violation of a provision that is of essential importance with regard to the achievement of the object or aim of the treaty. It could be that the conduct of both Syria and Libya, two parties to the treaty, toward Egypt in their relations with Egypt and their breaking of relations constitute a violation of a provision of essential importance with regard to the object of the pact, the aim of which was to achieve unity among the parties to it.

Circumstances and Justifications

B. Article 61 of the referenced convention provides that any party may invoke the impossibility of implementing a pact as a reason for terminating it or withdrawing from it. There is no doubt that the strange character that relations among the parties to the pact assumed made it impossible to implement it.

C. Article 62 of the convention in question provides that the occurrence of a fundamental change in circumstances would be a cause for terminating a pact or withdrawing from it. There is no doubt that a continuation of the circumstances that dictated the need for the pact form an essential basis for the ability of the parties to continue to adhere to the pact. It clearly demonstrates the degree to which circumstances had changed in relations among Egypt, Syria, and Libya in the interval between the concluding of the pact among Egypt, Syria, and Libya and the state into which these relations had fallen between 1977 and the present.

D. Article 63 of the Vienna Convention provides also that if diplomatic and consular relations are regarded as an unavoidable necessity for the implementation of a treaty, then the breaking of such relations would be a justification for withdrawal from the treaty. Diplomatic relations among the parties to a treaty not only should not be broken, but they should survive grievous situations that are very bad.

By Consent of the Executive Authorities

[Question] It is known that Egypt conducted a popular referendum on the establishing of the Union of Arab Republics. Does withdrawal from this union require the holding of a similar popular referendum?

[Answer] Article 16 of the basic provisions of the referenced union stated that the basic provisions of the Union of Arab Republics are to be ratified before they are submitted to a popular referendum by the executive and the legislative bodies of the (then) United Arab Republic. Furthermore, Article 15 provided that the basic provisions of the Union of Arab Republics were to be modified only by the unanimous agreement of the Union's Presidential Council, the submission of the modification to popular referendum, and the obtaining of a majority in each republic. But because the basic provisions of the union lacked any provision dealing with withdrawal, withdrawal was made to conform legally by permitting it to be accomplished by the consent of the executive and the legislative authorities in the Arab Republic of Egypt without the necessity of conducting a popular referendum.

Why Was the Decision Delayed?

[Question] If the circumstances surrounding the life of the Union in the field of action showed early on that it was impossible to carry out its mission and achieve its goals effectively over these long years, how do you explain why Egypt did not withdraw from it before now? Is there any significance in the timing of the withdrawal?

[Answer] It had become clear shortly after the Union was established that it was going to be a form without any content. But Egypt continued to try hard to give the Union's institutions every chance to develop and perform positively over a period of time sufficient for a final judgement to be made regarding them. After the Jerusalem initiative of 1977 Egypt did not wish to withdraw from the Union so as not to give the appearance of abandoning such projects for union and withdrawing from fields of joint Arab action. This was true despite the rupture of relations that Syria and Libya carried out against Egypt.

As for any significance that this timing may have, as matters have turned out it represents the point where it made no sense to think that there was any use in adhering to this agreement any longer.

A New Program

Apart from this, Egypt now is preparing to draw up a new program of joint Arab action and find a new form for the expression of Arab cooperation. That is something that can be arrived at only on the basis of past experience, so that the new approach will constitute an honest attempt to deal with aspects of weakness and evidences of deficiency revealed in the practical application of the forms that already have been tried, the union in question being one of them. Furthermore, the anticipated change must be

guided by the forces for unity among the Arab people and must work to support them. It must understand the divisive and disruptive factors and work strenuously to examine and eliminate their causes.

In addition, the steps taken by fraternal Jordan to restore full, normal relations with the Arab Republic of Egypt and abandon the Baghdad decisions the sterility and negativism of which have been established, will open the door and make way for serious action for union of a kind that could take the place of Egypt's and Jordan's urgent search for a practical form thereof.

Futile Unity Projects

[Question] It is expected that circles lying in wait for Egypt will launch a large-scale attack on it, accusing it of frustrating hopes for Arab unity and abandoning joint Arab action. How do you reply to these circles?

[Answer] Egypt's Arabism and its serious adherence to hope for universal Arab unity as a future goal to which the Arab peoples can look forward make it incumbent upon Egypt to be fully objective and critical in working toward this exalted goal and thereby avoid superficiality and formalism. It is well known how much damage lurks in keeping up a connection with unrealistic unity projects devoid of any action or movement and in the resulting loss of the masses' trust in any talk of Arab unity or action for unity among the Arab states.

The forms of unity among the Arab states must rest on a solid base of sufficient concrete, reliable data to assure success. The ideal of Arab unity is not served by adhering to forms that are devoid of any content and are not based on the essential ingredient of joint Arab action.

What Egypt dares to do today is merely to take actions that had to be taken. It is not merely getting its due, for it is withdrawing from a union that does not exist in the real world. This union's fictitious or imaginary existence is more of a cause of ridicule than an expression of anything else.

Concrete realities will continue to be expressed in Egypt's maintaining its position in the vanguard of the unity action in which it believes and in its tireless striving to create all the conditions suitable for the success of this action for unity and to move forward with it.

Since President Muhammad Husni Mubarak assumed office he has been conducting quiet diplomacy with the Arab sister-states that aims to look for a workable form of common Arab action that has an objective, serious, and realistic basis.

12541

CSO: 4504/50

EGYPT

LABOR PARTY LEADER INTERVIEWED

Paris AL-MUSTAQBAL in Arabic No 409, 22 Dec 84 pp 30-31

[Interview with Ibrahim Shukri, president of Egypt's Labor Party by Yusuf al-Qa'id: "Ibrahim Shukri, President of Egypt's Labor Party Says, 'Opposing Camp David Does not Mean One Is Opposed to Egypt's Supreme Interests';" in Cairo; date of interview not specified]

[Text] "The president of Egypt cannot be the president of a party."

"Some Egyptians are rejecting Camp David and its consequences."

"We must treat Israel according to its behavior."

In an anthology of Egyptian patriotism Ibrahim Shukri is called "the living martyr." He was one of Egypt's young people and students who took part in the demonstrations of November 1935. He was thought to have died in action, but then it was discovered that he was alive. He later served in numerous positions. When he served as governor of the New Valley, it was said that he did not use the governorate's car and that he gave away his salary to the poor and the needy who resided in the governorate. He became involved in politics even though he is a man whose integrity is so impeccable that his political activity is almost idealistic. He maintained his idealism despite the fact that politics and what it involves are as far as anything can be from such idealism. I visited him in his home after the Socialist Labor Party was established, and I discovered that he uses his own private funds to support political activity.

This interview with Ibrahim Shukri took place in his office in the People's Assembly. It was held before the third conference of the Labor Party ended. Therefore, the first question we asked him was about that conference.

[Answer] The bylaws of the party stipulate that a party conference be held annually and that elections to elect the leaders of the party, that is, the leaders of the party's executive committee and the president of the party, be held every 2 years.

[Question] But the party held only two conferences so far since 1978!

[Answer] That is true. The reason for that is that in the early years after the party was established--during the first 2 years to be specific--the party encountered a few circumstances that delayed the holding of conferences after the first constituent conference was held in October 1978. The pressures that were applied against the party by al-Sadat prevented these conferences from being held. However, these conferences have been held on a regular basis since 1982 as stipulated by the party's bylaws.

[Question] There is another candidate for the presidency of the party. Is this the democracy of the party, or is the purpose of that to suggest that there is democracy in the party?

[Answer] First of all, this is not the first time that there is another candidate for the presidency of the party. There was another candidate for that position at the second conference. This time the candidate is from Hada'iq al-Qubbah [Qubbah Gardens]. It seems to me that the fact that there is more than one candidate for the presidency of the party is an indication that the party is democratic. This is an indication we insist upon. We have no restrictions on candidates for the presidency of the party other than the candidate should be a member of the party's general assembly. I say that a party which does not practice democracy within its ranks does not have the right to ask others to practice it.

[Question] Political circles are talking about breakups and divisions within the party. Some people are even saying that it will be impossible to hold the party's conference.

[Answer] First of all, there are no breakups within the Labor Party. Evidence for this lies in the fact that this conference has been held. When there is talk about breakups and divisions, a distinction must be made between two matters. A distinction must be made between discussing the party's internal issues on the pages of newspapers for the purpose of correcting some matters within the party and, [second], working within the party to correct conditions in it. Any subject can be corrected and discussed within the party itself. This can be done in the party's committees, and it can be done on different levels. But going public with those issues under the pretext of discussing them is somewhat defamatory, but it does not reflect the presence of divisions and breakups within the party.

[Question] Aren't there different factions within the party?

[Answer] The party does not have what may be called factions within it. These could rather be called points of view that may differ on a certain subject and agree on another.

[Question] What about those who resigned from the party?

[Answer] It has been said, for example, that the artist Hamdi Ahmad resigned from the party. That is not true. He was nominated to serve on the Central Committee at this conference. The same is true about Mr Ahmad Farghali, member of the Board of Directors of the Journalists' Union and former member of the People's Assembly. He too was nominated at the conference. Differences in points

of view do not necessarily indicate there are divisions within the party. However, these differences do show that concern for the party's interests and for the vitality of its practices exists. They show that each person with a point of view has a real chance to express that point of view.

I say that out of concern for the Labor Party's vitality and its future. The party must not be based on the efforts of one individual or of one small group. The party must be based on the efforts of all its members.

[Question] There were many reactions to the fact that you accepted an appointment to the People's Assembly. This was certainly one of the principal issues at the conference, was it not?

[Answer] First of all, in my judgment, this subject was one of the principal subjects for the party's general conference. Also, the decision to accept an appointment to the People's Assembly was not mine alone. I was democratic in that regard. I took the matter up with the party's supreme board, and a decision was made to accept the appointment. In fact, it was recommended that the president of the party accept the appointment to the People's Assembly.

[Question] What about the party's newspaper, AL-SHA'B?

[Answer] The subject of the newspaper is one of the important subjects that is being presented to the conference. The question is one of reconciling what are purely journalistic considerations. It also involves taking into account expressing people's concerns on the one hand and adhering to the party's political course [on the other]. But it seems to me that the party's executive committee will deal with the newspaper's conditions after it is elected. It will handle the matter in a manner that will make the newspaper more capable of doing its part.

[Question] Let's set the party aside [for now] and talk about Egypt and the Arab homeland. What do you think about the question of prices and student demonstrations?

[Answer] Yes, people are suffering, and we must all endure. It is impossible to create something out of nothing. I consider the things that are happening now to be manifestations of democratic practice. Although these things that are happening now may leave something to be desired, they are on the right track. I hope that our party will contribute to an affirmation of the proper foundations. It is my opinion that the task of those who believe in democracy and its proper foundations will not be easy. It is a task that requires earnestness and determination.

[Question] Your relationship with President Mubarak is a good one, but you have no relations with the National Democratic Party even though President Mubarak is the president of that party.

[Answer] Our relationship with President Mubarak stems from the fact that he is the president of the country and not the president of the National Democratic Party. Our point of view on this matter, which may be found in our program, is

that the president of the country should not become involved in partisan matters and issues after he assumes office as head of state. This would create conflict regarding opportunities for a dialogue and regarding opportunities that would be available to all political parties on the scene. The fact that the president of a country serve also as president of a party is at odds with the notion that an opposition party or a number of opposition parties may win a majority.

[Question] Do you work with other opposition parties in Egypt?

[Answer] I believe that working together is important. There are many areas where we can work together. For example, there is a position against all the laws that restrict freedom and a position that demands the right of the opposition to have access to all the media. Contacts can also be made between the different parties and the ruling party on national matters, but that does not happen. There may be an understanding of what I am saying with regard to foreign policies, but we are asking for more. And here I must make it clear that ever since President Mubarak came into office, the government has made changes in the course of political action. It has come closer to the course which the opposition, and particularly the Labor party, has been calling for.

[Question] What kind of diplomatic role can your party play in the Arab world to bring Egypt and the Arab world closer together?

[Answer] The directions we would be inclined to take are clear. We insist on good relations between Egypt and the Arab world. That is essential. We also insist on good relations with the non-aligned camp. We insist that Israel must be treated according to its conduct. To us an Arab posture and an Arab sensibility constitute a strategic policy; they cannot constitute a tactical posture. Therefore, regardless of differences, we cannot imagine that relations would be broken. It was in light of that idea that we opposed the dissolution of the Federation of Arab Republics in the People's Assembly. Ours was the only party that opposed this measure. We must hold on to any relationships with any Arab country, no matter how frail they are. To us this is an unshakable position.

[Question] This requires that we talk about Camp David.

[Answer] We have our point of view on Camp David. President Mubarak and the government may have theirs. But the government must acknowledge that there are those who have a different opinion on the matter. There is nothing wrong with the fact that a segment of the Egyptian people and a segment of Egypt's political parties reject Camp David and its consequences and object to those commitments that Egypt assumed as a result of these accords. On the other hand, the situation is different as far as the government is concerned. During al-Sadat's term anyone who opposed this agreement appeared to be opposed to Egypt's supreme interests. Al-Sadat considered such a person an outlaw, and he enacted laws every day to punish such people. There is a difference between the two situations. It is for this reason that I say that the current situation as well as the future will be determined by the facts. I believe that Egypt and the Arabs have a future ahead of them during which they may agree on a minimum position on all their issues and overlook all their differences.

[Question] What role are you playing now between the government and the average Egyptian after the student demonstrations?

[Answer] We have to tell the government the real conditions that people are suffering from.

[Question] How will you do that? Will you use the newspaper to do that, or will you do it through the People's Assembly?

[Answer] We have to do that without resorting to sensationalist methods. Problems must be discussed objectively. We must warn and caution, and we must not ignore the facts, no matter what they are.

[Question] What did you do in the People's Assembly after you were appointed to that body by a decree from President Mubarak?

[Answer] Egypt's prime minister, Kamal Hasan 'Ali has been summoned to a hearing, and he has to respond on 29 December. The hearing will be about what happened in the recent elections. The prime minister will also be questioned about the subject of building power stations that utilize nuclear fuel. We participated in that subject at the hearing that was held by an assembly member who is a member of the Wafd Party. When the government's statement was discussed, we took part in the discussion. I joined my colleagues in the assembly in drafting bills to amend the law on the authority of the press and national newspapers and to amend the laws on exercising political rights so that guarantees can be assured in the elections process. I also joined them in introducing bills to amend the law that regulates elections to local councils. There are also plans for amending those laws which acquired a bad reputation; these laws were issued during al-Sadat's term. My colleague Ahmad Mujahid is also carefully pursuing the subject of torture in prison. This subject was raised by the verdict that was issued in the case of al-Jihad Organization. Had it not been for the public prosecutor's interdiction against publicizing anything about the ongoing investigation into this serious matter, I would have offered many facts about it. Let me say now that if the investigation into the matter of torture does not proceed in a normal way, I will hold hearings on the matter in the People's Assembly. We did, however, reach specific conclusions. An officer who was accused of torturing others has been taken to court. But the problem is that there is a decree prohibiting publicity on this subject.

8592

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IRAQ

BRIEFS

BRIDGES, OVERPASSES IMPLEMENTED--Baghdad, 4 Jan (INA)--The Iraqi Housing and Reconstruction Ministry has spent well over 400 million dinars on bridge and overpass projects. An official ministry report added that 88 bridges and overpasses have been implemented in Baghdad and other governorates at the cost of 230 million [as received] dinars. [Excerpt] [Baghdad INA in Arabic 1408 GMT 4 Jan 84 JN]

AGREEMENT WITH GDR RATIFIED--Baghdad, 14 Jan (INA)--The RCC has ratified the agreement modifying economic cooperation between the Iraqi and GDR governments signed in Baghdad on 28 August 1984 with the aim of bolstering bilateral relations in the economic and trade fields. [Text] [Baghdad INA in Arabic 1300 GMT 14 Jan 85 JN]

CSO: 4400/61

JORDAN

JORDANIAN MINISTER DISCUSSES ECONOMY

London AL-MAJALLAH in Arabic No 250, 24-30 Nov pp 39,41

[Interview with Dr Jawad al-'Anani, minister of industry, trade and tourism, by Lima Nabil: "The Arab Economy Is at the Mercy of the Political Mood"; in Amman, date not specified]

[Text] [Boxed inset]

Dr Jawad al-'Anani

--The Jordanian minister of industry, trade and tourism.
--He was the first to establish the social security system in Jordan.
--He moved among several important posts within a short period of time; he worked as minister of supply, then as minister of labor, before taking the three ministerial posts within the present government.

A unique place on the geographical map gives it a unique place on the economic map! Thus is Jordan, a point which draws interest, occupying that place and having a unique economic experience, and bearing before and after that the burdens of growth. Many things affect the economy of Jordan; some of them interact with the development plan and work projects within its borders, and others come from across the borders: a pipeline, Arab support, or remittances for citizens. Dr Jawad al-'Anani, the Jordanian minister of industry, trade and tourism, covers every detail in this interview with AL-MAJALLAH, and outlines Jordan's position on the economic map through its position on the geographical map.

[Question] Where has the matter of the oil pipeline between Iraq and the Gulf of 'Aqabah gotten to?

[Answer] We and our Iraqi brothers have asked for guarantees that Israel will not attack the line, especially at 'Aqabah, and that it will not interfere with the flow of oil in a way that would make it difficult to use. Therefore we have asked the United States and the nations that are concerned with the operation of the pipeline to show their good intentions and to share, not only in financing it, but also in taking on the responsibility of quickly restoring things to what they should be if the line is subjected to any harm. But the financial institutions which we have spoken to have so

far not taken a stance acceptable to Iraq or Jordan. We believe that the line must pay for itself, in the sense that the cost of its construction must be paid for by the oil passing through it. Consequently, the best guarantee in this respect is that payment of installments would stop if operation of the pipeline were interrupted, and if payments are resumed, it would be without payment of interest on the installments during the period of interruption.

[Question] Have you begun practical steps towards implementing the project?

[Answer] Yes, we and the Iraqi side have reached a formula for agreement regarding the pipeline. It is a strategic project whose use will not end shortly, but rather will continue to be beneficial over the long term. For as long as the Arab nation is faced with a great threat, it must look for substitutes and outlets that it can use in the event of any emergency, such as war, for example. Our brothers in Iraq know the value of having outlets for exporting oil at any time.

Fundamental Enthusiasm

[Question] What is Jordan going to get out of the line?

[Answer] There will be strategic returns as well as economic ones. The strategic returns mean that what benefits Iraq or any other Arab state in turn benefits us, and what improves Iraq's economic capabilities and makes it more able to defend itself is something which without a doubt benefits Jordan by virtue of our ties to our brothers in Iraq.

Speaking about the project's economic returns, Dr Jawad al-'Anani added:

I do not want some to confuse the issue--for it is imagined that our enthusiasm for the project in Jordan arises from its economic benefits--because we will also take on its risks, in addition to the fact that our share of the project's costs will be more than \$650 million (about 2.4 billion Saudi riyals), which will equal the largest expenditure for a project we have implemented in Jordan, and we would not do it if it were not for our feeling that it would be beneficial to our brothers in Iraq, for this strategic, long-term relationship is greater than short-term economic interests.

Exporting Expertise

[Question] You recently made a number of trips to Arab and African nations in search of new markets for Jordanian products. Did these visits meet with success?

[Answer] First of all, the search for new markets does not mean that they will replace the traditional ones, because we have old economic ties with some countries and we cannot do without them; rather we are working to strengthen and reinforce them. Secondly, the motive behind the search for these markets is Jordan's entry into an advanced phase of industrialization,

which makes it necessary to export its products. Previously, we used to depend basically on vegetables and phosphates for our exports, and some of the Jordanian people used to complain that Jordan was exporting at the expense of the consumer, especially with regard to fruits and vegetables. But now we have come to have a surplus of these crops, in addition to diverse mining and industrial production (intermediate and consumer industries), and it is advanced production, compared to the countries of the region. All this has made it necessary to look for new markets, especially since some of the countries have come to need Jordanian fertilizers and their derivatives, with the increased interest in agriculture in these countries. And I would like to add that an important aspect of Jordan's exports is the export of Jordanian expertise. There are Jordanian scientific capabilities of a high standard which can aid in the building of some Arab nations, if given the chance, especially since many of the Arab states--even though they may differ from us with respect to their economic system--are impressed with Jordan's economic experience, especially since we are a semi-arid country with a relatively small size and limited resources to a certain extent. In spite of that, we have been able to have an economic experience which serves as a guide. The similarity of our circumstances with those of some of the nations of the region has doubtless moved them to try to imitate our experience. We have begun to plan a program for supplying the Yemen Arab Republic with expertise, and we also intend to visit South Yemen, and open new markets in Ethiopia.

Oil Not an Excuse

[Question] With the fluctuation in oil prices, and the reduction in the quantity the world buys, how do you view the state of the Arab oil market now?

[Answer] Our relations with the Arab oil producing nations are interacting ones, and we are affected by their circumstances negatively or positively. I believe that the demand for oil will rise in the long run, because oil is a strategic substance, and if there is an economic upswing, the demand for it must return. And in my estimation, the oil nations will adapt to the current decreased demand for this commodity imposed by the presence of strategic stockpiles in the importing countries, the increase in sources of world petroleum, and the acquisition of substitutes for saving energy or substitutes for energy itself. Perhaps that might affect the size of payments made by the oil nations, especially the volume of aid and loans that these nations offer. Jordan, especially, must not be subject to any kind of cut or decrease in aid, because to it it is not a question of luxury, for Jordan has large defense burdens and we will never abandon our obligations toward the West Bank or the Arab countries.

The minister of industry, trade and tourism asserted:

The previous increase in oil prices created a new reality in which the Arab world was divided into two groups, the first one having a surplus in the labor force, and we had to review the strategy of joint Arab action. Even

though we had made much more progress in the exchange of production factors than in the exchange of goods, we continued to talk about the strategy of the Arab world as if it were based on trade, until the 'Amman summit conference was held. There a committee composed of twenty experts superbly laid down a strategy for Arab economic integration. In my opinion, the reduction in oil revenue sources should not affect this role, because we are talking about cohesive Arab states who know how to look out for one another. Thus I do not believe that the reduction in oil revenue sources is sufficient excuse for abandoning the strategy of joint economic action or the development agreement, and we must work to revive them.

Economy and Mood

[Question] In your opinion, what are the obstacles to Arab economic integration?

[Answer] The first obstacle is that we are still linking our economic decisions to our political moods, which is extremely unfortunate. We must try--as much as we can--to untangle economics from politics. I know this is impossible, but what I mean is practical reality, not theoretical structure. For when there is a dispute between me and an Arab neighbor, that does not mean borders should be closed, or people and goods prevented from entering the country, or barriers placed in front of economic cooperation, for those are uncivilized methods!

As for the second obstacle to Arab economic integration, it is that the Arab institutions responsible for this integration are in need of greater support, and need having their efforts and decisions taken more seriously. We need to arrive at a formula for mutual understanding like that which took place in the European Common Market, an international organization which includes countries whose feelings regarding their own individual interests are not less than ours towards our own individual interests. In spite of that, they found a formula for mutual understanding, and that is what we must realize with respect to the institutions for our economic integration.

The third obstacle is the resemblance and similarity between industries in the Arab world, which is what happened as a result of the period of political isolation. It is one of the main reasons behind each country wanting to keep its manufactured goods for its own market, and therefore there was not much integration.

The fourth and last factor is that we have failed to develop the technology which we import in many forms (expertise, machines, whole projects), in addition to the fact that we still suffer from the complex that foreign is "better."

[Question] It has been announced that oil in usable amounts has been discovered in Jordan. Is there hope that a stage of self-sufficiency will be reached?

[Answer] We in Jordan are not greedy, and we have not yet set a clear goal with regard to the search for oil, because the results we have gotten, so

far, do not give us a clear indication of how much is there. All that is there are two wells, Hamzah 1 and Hamzah 2, which contain oil that might be commercially exploitable, in addition to a third well which is being tested and which might be similar to the other two.

Reasons for the Decline

[Question] During the past 2 years, the Jordanian economy has suffered from a kind of stagnation in the growth rate. What are the reasons? And will things be the same in the coming years?

[Answer] Let us start from the beginning: 1981 was an exceptional year in the history of Jordan's economy, and the high growth rates achieved during it reached 10 percent. One must be cautious about making comparisons, for any growth rate less than that, in the economic sense, is considered a decline, but, in the practical sense, Jordan is still achieving economic growth, though at a lower rate than before.

Dr Jawad al-'Anani added:

We expect that this year the economic growth rate will be about 4.5 to 5 percent; we have now reached 3.5 percent, and that is considered a good rate, if not compared against high expectations. The fact that remains is that the development operation in Jordan needs strong controls because we have entered a state of flux resulting from the decrease in the revenue sources which we were accustomed to, such as Arab support and remittances from Jordanians working abroad, especially the money which they set aside for investment. The most important of these factors is Arab support. In 1978, the Arab summit conference in Baghdad set aside \$1.45 billion for Jordan--when the dollar price was less than it is now--and part of this amount used to go to support the economy. But now the law of balance only offers about \$150 million, and some of that money will not come because Kuwait recently decided to cut the amount of aid it gives to Arab nations by about 40 percent. Saudi Arabia remains the only country meeting its obligations to Jordan. As for Iraq, we understand its situation. It has been one of the most constant countries in making its payments, and if it had not been for its circumstances, it would have made the last one. In spite of all that, the chances of getting financing are still high, because money offered for loans in the world is readily available, and Jordan qualifies for these loans.

Industrial Solutions

[Question] Jordanian industry has been affected by this situation. Are there alternate solutions for reactivating it?

[Answer] Thousands of industries have been licensed in Jordan during the past 5 years. If we review the registry in the Ministry of Industry and Trade, we will be talking about more than 3,000 licensed industries which range in size from the small, employing 3 or 4 workers, to the large, employing between 1,000 and 2,000 workers. It is not expected that all

these industries will succeed, but we encourage all of them, because behind every dinar a person has toiled and grown weary. But in reality we concentrate on those with a large capital and which employ a high proportion of the Jordanian work force.

[Question] Is the increase in prices in Jordan attributable to the fall in the value of the dinar?

[Answer] When we talk about the rise in prices, we must distinguish between two things: The first is the "price level" and the second is the "increase in prices." In 1984, prices increased over 1983 by only 2 percent. The implication of this can be understood if we knew that the "level of prices" had risen to 29 percent during the period from 1974 to the present. This rise was accompanied by an increase in spending by Jordanian families and in their consumer expectations, and there began to be a feeling that income could not cover necessities. During the past 2 years, the level of prices has fallen to 5.4 percent because of the drop in the level of spending fever. In a vigorous economy prices must rise every year to a certain degree, because that means that the economy is busy and in constant motion. But if prices fall sharply, that means that there is unemployment, and that the worker will agree to any work whatever the wage, and someone who sells goods will agree to any price as long as he has found a buyer, but we are not suffering from this at the present. And inflation is not always monetary, as you implied in your question about the fall in the price of the dinar, because we import from abroad at increased prices, and we impose customs tariffs to protect national goods. Jordan does not resort to devaluating the dinar in order to raise prices, so if the value of the dinar is low then these prices must be high, and as long as prices do not go up much, the buying power of the dinar has not gone down in the local market.

12547

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LEBANON

WAR SITUATION IN AL-KHARRUB DISTRICT EXAMINED

London AL-HAWADITH in Arabic No 1460, 26 Oct 84 pp 84-86

[Article by Sharbil Zughayb: "AL-HAWADITH Enters al-Kharrub District by Land and Sea; They Are Waging War Imposed on Them; Socialists; 'We Hope Political Settlement Will Be Achieved'; Lebanese Forces: 'What Happened in Mountain Will no Happen in District'"]

[Text] In al-Kharrub District where adaptation to the war is at its strongest and where there is no trace of carob [al-kharrub] trees, matters seem to be of the easy and impossible type at the same time, despite their intricacy, complexity and interaction.

If Israel was unable in the initial period to strike coexistence in "the district of coexistence," as some call the district, its failure was due to the fact that the Sunni Muslims refused to form their armed militia--a militia receiving backing and support from the Israelis. This is why Israel's influence over the Sunnis in the district was almost nonexistent. When the Druze gained control of 'Alayh and al-Shuf, Israel exerted efforts on the other side to facilitate the movement of the Lebanese Forces to the Christian towns and villages in al-Kharrub District so that there may be a war of a different kind and so that the district may be a theater for this war if the Sunnites are not convinced to march in Israel's bandwagon.

From this angle, the problem seems to be a Sunni-Maronite problem primarily, with the two factions paying its cost, even though by varying degrees. The Christians, especially the Maronites, in the district are a minority if compared with the Sunnites. Consequently, the joint villages have paid a heavier price than others. Considering that the Christians are a minority and that some of them live in Sunni villages, then the Christians are the ones who are paying an exorbitant price in this war. The Christians are aware of this but nothing can be done to keep the chalice from their mouths. This time, the maestro is stronger than the entire orchestra. However, the war has had a negative impact not only on the Christians. It has also struck at the Muslims.

AL-HAWADITH went to the district in an inspection tour on the battlefronts of both sides, doing so in two trips: One by land and another by sea.

The first trip began in Beirut and went through Khaldah, al-Damur, Kafr Him and B'aqlin, turning to Khurayfah where there is a big market and houses on hills overlooking the main road which has been asphlated after much neglect.

After Ghurayfah, we were received by the old oak trees of 'Anut--more than 100-year old trees on whose trunks are carved countless inscriptions and hearts that nobody knows to what generation they belong. Though, like the district's other villages, asphalt has not yet reached its roads, it is coming to visit the entire district, including the contact lines.

Near Darayya, we stopped at a big roadblock belonging to the military police of the PSP [Progressive Socialist Party] to ask for the authority in charge in the area and were told by the elements manning the roadblock that we had to go to Siblin where the command headquarters is located.

After Darayya, we reached Shuhaym, the district capital, which was preparing on that day to hold a major rally commemorating the district martyrs under the patronage of Minister Walid Junblatt. All along the way to Shuhaym, there are numerous posters, pictures of the late President Jamal 'Abd-al-Nasir, the leader Kamal Junblatt and Minister Walid Junblatt. There is one picture combining all three and distributed widely in the district, especially near the posters, one of which read: "Our wounded south will continue to be the Mecca of our steadfastness."

After Shuhaym, we passed through Mazbud before getting to Siblin where we asked about the command headquarters. A number of youth accompanied us to the headquarters which is guarded by a big tank.

After greetings, we asked for the official in charge and were told: "He is not present." Through radio, contact was established with Labib [presumably the official in charge] and he asked that we go to him in Shuhaym before 1400 so that he may get acquainted with us first and then we would agree on the topics.

We embarked on a light conversation with the youth on the causes and background of the war and the Israeli role in this war. They believe that they are right and that the Lebanese Forces will, in the name of defending the Christians, bring misfortune to the Christians and to all the Lebanese. The district has never experienced sectarian sedition: "Even when the Palestinians were in the area, we, the inhabitants of the area, secured protection and guard for our Christian brothers whenever the Palestinians sought to harm them. During the latest mountain war, we rejected the departure [eviction] of the Christians from the area and we supplied them with food, bread and water. We used to split into groups and patrol the quarters to prevent even the thought of attacking them. But when Israel entered, the Lebanese Forces entered behind its tanks under the pretext of protecting the Christians. But protect them from what enemy? If the intended enemy was the Palestinians, the Palestinians had departed completely by then. If it was the Muslims, then we are the side which secured protection for the Christians throughout 10 years and we did not cause them any harm at a time when we were able to do anything."

Another youth added: "Even now, we don't harbor any hostility toward the area's [Christian] inhabitants who have been forced to leave the area by the Lebanese Forces as a result of the acts in which the elements of these forces engaged against the citizens in public squares. We wonder: What does the native of Kasrawan come to do in this area? Isn't it to force the coexistence formula on the Lebanese in the district?"

As to whether contacts have been severed between them and the Christians who left the area, one of the youth said: "These contacts have not severed between the fighters themselves until this moment. Two fighters from Siblin, one belonging to the [Lebanese] Forces and the other to the Sunni met in a Sidon square. They embraced long and cursed the moment in which Israel entered Lebanon. The Christian told the Muslim: 'We do not want the war that has been imposed on us by force.'"

Another youth added: "At the outset of the battles in the district, we did not believe that there was a war between us. The road between Siblin and al-Jiyah was still open and we were positioned on two hills facing each other. In the morning, we would call each other to have breakfast together. This happened before the Israeli tanks began their patrols. When the Israelis discovered the situation, they cut off the road completely and banned any communication between us. Even after the road was cut off, our military vehicles came across theirs around a sharp bend on the road. We exchanged greetings and smiles and each convoy went on its way."

At the Shuhaym police station which has been turned into a center for the Socialists [PSP], we met with Labib who received us very cordially and sent a fighter with us to the frontline so that we could take pictures of the barricades facing each other.

Our first stop was the UNRWA school in Siblin which was destroyed by shells and abandoned. The Socialists have turned it into a military center because it overlooks Dawud al-'Ali Street in Sidon, the cement factory, al-Qal'ah, al-Ramliyah, Wadi al-Zinah and al-Jiyah areas and the electrical company center which has turned into a port from which the southern Christians go to Beirut and vice versa. With field glasses, you can see from the UNRWA [school] everything on the opposite coast.

From al-Wardaniyah-'Alman-al-Rumaylah front, you can see the boats carrying passengers to al-Jiyah Port. In Barja, where the poster reads "the civil administration is at your service," the PSP has concluded a contract for opening a new 14-meter wide road linking Barja with Dalhun and Shuhaym. Originally, this was a military road which reduced the distances and which did not exist on the map.

In Barja, the distance separating the fighters' positions is no more than 50 meters wide and the opposing barricades can be hit with stones, not weapons. Often, conversation takes place between one barricade and another.

On our way back from the barricades, I asked my companion: "Are we truly in a state of war?" The answer came from anguished hearts: "It is Israel that has planted the hatred and the malice. As you can see, we can throw a stone into the sea. But we hope that the political solutions will take their course so that blood may not nourish hatred in the hearts of future generations, keeping in mind that whenever Israel comes to the area, it promises to withdraw and withdraw the [Lebanese] Forces with it."

In Shuhaym, we met with 'Ali Jabir, the secretary of the PSP's internal affairs in the district and the secretary of the civil administration there. Jabir said: "Throughout the past period, the district enjoyed peace and tranquillity and was called the "coexistence district" because all of the district's Christian and Muslim inhabitants lived in understanding and unity. But after the Israeli occupation, the Lebanese Forces came and set up centers and barracks in many of the district's villages. They began their acts of provocation in implementation of the enemy's schemes and with the aim of controlling the area. Those acts of provocation were embodied in the attempts to occupy Hasrut hills and to cut off the main road linking the district with the mountain in order to totally dominate the district population of more than 130,000 people, of whom those that the Lebanese Forces claim to be protecting do not exceed 10,000 people."

Jabir added: "In the face of this reality and with meager resources, the PSP was able to repel this assault and force the Lebanese Forces to retreat to Hasrut hills. Since then, there have been constant alerts to defend land, existence and dignity. The sole concern of the district inhabitants has been that of purging the area of the aliens who came behind the tanks and to restore the past formula of coexistence."

Jabir further said: "We hope that political settlements will be achieved in al-Kharrub District and that all the district's inhabitants will stay in it. But if the battle option, which is a bitter option, is imposed on us, then it is certain that when the Israeli cover is lifted, the district's battle will last no more than 2 hours after which we will drive away the aliens and the sectarians and return to the area all the Muslims and Christians who have emigrated from it."

We asked if the Israeli cover does not include both sides and Jabir answered: "After al-Shahhar battle, the aliens left their positions which faced ours. Despite this, we did not move to take control of their positions because we know that the Israeli cover continues to be actually present. Those aliens have returned to their positions under the protection of 100 Israeli vehicles which came to the area and stayed for 24 hours and under the cover of artillery shelling which included all of the district's villages. Thus, the Israeli cover does not at all include us. But we cannot confront Israel with our resources and in the manner in which we are fighting. Basically, we don't want fighting in the district but want a political settlement."

The second trip, by sea, started in the fifth basin of Beirut Port and ended in al-Jiyah Port aboard a passenger boat carrying more than 3,000 people. Al-Jiyah Port is very much like a beehive. The town has not seen such traffic jams even at the peak of peace. Freighter traffic is constant. In addition to passengers, these ships carry big and small vehicles, consumer goods, vegetables and all that the area needs.

There, we contacted the Lebanese Forces officials. From al-Jiyah, we proceeded to command headquarters where we had to wait for a while before moving again to the frontlines. At command headquarters, the fighters said that their morale is high and that they are confident that the district is falling militarily and that it is at their mercy but that Israel prevents them from advancing toward the opposing positions. They asserted that they abide by the cease-fire completely, despite the constant sniping and shelling to which they are subjected by the other side, because they are truly committed to the cease-fire agreement.

A few days ago, the district was on the verge of a total military explosion. Military preparations were made by both sides and the civilians were evicted from the frontlines and from the villages facing them. But Israel intervened quickly and restored calm to the area. The Lebanese Forces' fighters say that one of their commanders in Beirut threatened to break off the alliance with Israel if it persists in its open support for the Socialists. This official was given Israeli assurances that Israel will not permit the Socialists to storm the Lebanese Forces' positions and reach al-Jiyah, al-Rumaylah and al-Awwali because "in such a case, the buffer existing between the Israeli forces stationed on al-Awwali and the Palestinians who may return to the district by way of the mountain and proceed to the front-line of the Israeli army to carry operations against it--this buffer will be eliminated."

One of the officials of the Lebanese Forces in al-Jiyah added: "The district war began one month after the mountain war and is an extension of the mountain war between the coastal district and the mountain district. The fierce battles continued until after the fall of al-Shahhar area in March 1984 when a Christian-Druze agreement was reached between the Christian inhabitants of al-Kharrub District and a representative of the PSP under Israeli auspices. This agreement contained several provisions on withdrawal of all the aliens from the Sunni-Christian district to areas beyond, on withdrawing heavy weapons from both sides, on putting an end to military operations by both sides and on the return of the civilians to the area. The agreement also called for establishing liaison points [from members of the] Lebanese Forces in the district and the PSP in al-Mutallah and 'Ayn al-Hawr. We have implemented all provisions of the agreement. Regrettably, the other faction has not abided by any of its provisions. It stopped its military operations for a month and then resumed them anew at a limited scale until al-Jiyah battle erupted at the beginning of September when this town, to which all its inhabitants had returned, was shelled with Katyushas, tank artillery and heavy artillery. Because of this battle, a large number of the town's inhabitants abandoned it anew for the south."

The map of the area controlled by the Lebanese Forces looks like a crescent and is divided into military axes: One axis from 'Alman to 'Ayn al-Hawr, another from 'Alman to al-Mutillah and a third from al-Sa'diyah to 'Ayn al-Hawr. The inhabitants of this crescent call it the "odd-shaped end of the loaf." The area extending between the two bridges of al-Awwali and al-Damur has been the most important axis in this war, considering that the inhabitants of the district's mountain area cannot reach the sea and that all the military plans focus on this axis because the mountain [security] plan must begin by opening the coastal road from al-Damur to al-Awwali, with some saying from al-Awwali to al-Damur.

But the Lebanese Forces in the area wonder: "Why hide behind the shadow of one's fingers and not declare the real positions? Why do they claim that we refuse to open the road at a time when they are building barricades and fortifications and block off the coastal road with dirt barriers? How can they predict that we will prevent people from getting to al-Awwali from Beirut, keeping in mind that people cannot even get to al-Damur bridge? Life seems similar in all the towns and villages of the coastal part of the district, with most of the homes closed, with work suspended on the buildings that were springing up next to the lettuce and Jew's mallow fields, with pictures of Bashir al-Jumayyil pasted on walls and electricity poles and with silence prevailing in the area."

From the Lebanese Forces command headquarters in 'Alman, we moved to al-Jiyah and from there to al-Damur where the frontlines are located. From a hill next to the bridge, we could see the Socialists' barricade in the fuel plant in the town of al-Damur--a plant located on the crossroad leading to al-Shuf. Small numbers of vehicles cross al-Damur Bridge, all passing within range of the rifles of the Lebanese Forces' fighters on the said hill. The military vehicles of the PSP pass in the direction of al-Mushrif and of an area between the two rivers. It is enough to fire a single bullet to stop traffic on this road.

We asked the fighters on the barricade there: "Why don't you open fire on the Socialists when they pass in front of you?" They smiled, answering: "There are no orders. We are committed to the cease-fire agreement and we do not want to entrench the hatred for which the Socialists are working. We don't want to appear to be the ones who want the war. We carry the rifle to sow peace in this area."

We asked: "But you are subjected to sniping and kidnapping on other axes. So why don't you retaliate?"

One of them answered: "We don't want to drag the area into another war. The Israelis are very disturbed with the situation in Burja because numerous outsiders and Palestinians have entered it to take part in the battle against us."

In Zarut Hill, there is an enormous barricade belonging to the Lebanese Forces because this hill overlooks Burja, Ba'asir, the coastal line from

Khaldah and two-thirds of Abu Husayn, al-Rahib and Siblin plant. Explaining the importance of the hill, one of the fighters said: "Before the March agreement, the Socialists reached this hill, prevented the inhabitants of the coastal district from leaving their homes and forced them to emigrate to the south. But the Lebanese Forces launched a counter attack on the same day and were able to liberate the hill anew and to drive back the Socialists for a distance of at least one kilometer."

During the day, the elements of the district guard watch the opposing positions and at night the fighters return to them by way of a very rugged trail in anticipation of battles.

As soon as we left the hill, sniper fire began to pour down on us.

By the time we proceeded on the road leading to the other axes, violent shelling erupted and reached all of the area's villages.

At the end of the tour we asked the official in charge of the Lebanese Forces about the situation which the Christians in the district will face if Israel withdraws partially from al-Awwali to al-Litani and he said: "Primarily, we rely on ourselves and on our intrinsic force. We are inhabitants of this area and we possess the weapons necessary to preserve our entity and our existence. In case there is a plan for partial withdrawal, such a withdrawal will not take place before certain security arrangements are made with Israel by the State of Lebanon. In any case, what happened to the Christians in the mountain and in the 11 Christian and Shi'ite villages whose inhabitants were evicted at the outset of the battles will not happen to us, keeping in mind that we have kept the native minorities originally existing in our villages, such as al-Nabi Yunis, al-Jiyah and Jun. The inhabitants of these areas continue to perform their religious rites freely and nobody harasses them. Moreover, we supply them with food and necessities before we secure them for ourselves."

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LEBANON

IDDIH PRESCRIBES WAYS TO LIBERATE LEBANON

London AL-HAWADITH in Arabic No 1460, 26 Oct 84 pp 14, 17

[Interview with Raymond Iddih by 'Adil Malik: "Raymond Iddih: 'Israel Will not Withdraw and Partition Is Underway; O Reagan, What Is Lebanon's Sin'"]

[Text] Paris--The problem with interviewing Raymond Iddih lies in the difficulty of convincing him of the impossibility of publishing all his words and statements because this falls within the purview of legal, and illegal, prosecution. Therefore, the part of the interview with the dean [Iddih's title] published here is the part that can be published, not all the dean has said.

Raymond Iddih still holds his past convictions and reiterates that they are sound because "the predictions and the expectations have, regrettably, come true." Even though he says that the Lebanese does not want to hear what dissatisfies or displeases him, he is determined to declare the facts repeatedly, regardless of what the cost is. The dean believes that all that is happening on the ground signifies the partition of Lebanon in accordance with what has been planned for it. His conviction is the same: "Lebanon is the victim of Kissinger and of U.S. policy in the area." Regarding the recently reiterated reports about U.S. plans to achieve simultaneous withdrawals from Lebanon, Iddih does not at all believe that Israel will withdraw from the south and that all the Israeli actions enjoy the full blessings of the United States "because the United States has sold itself, its soul and its mind to Israel."

As to the practical way to oust Israel, the dean sees hope in the Lebanese resistance fighting the occupation. He also calls for "adopting" the method used by Begin and Shamir in the days of the British mandate. Dean Iddih has a "clear picture" in his mind of the actual partition under which Lebanon lives and of the seaports that have already been distributed among the provinces. He does not conceal his fears that Israel may, under the administration of the current coalition government, take certain steps in the south to entrench the occupation, as it did in the past in the West Bank and in the Golan--steps such as considering the "Lebanese Galilee" complementary to the Israeli Galilee!

The dean stresses the need to first liberate the homeland before embarking on the issue of constitutional reforms and of determining the number of the deputies and wonders: For what Lebanon are they planning and determining the number of deputies?

[Question] The interview with the dean began with a question on his opinion regarding the latest movements reported to be led by the United States in preparation for presenting a new initiative in Lebanon.

[Answer] It is natural that I would say that I hope for U.S. intervention so that the situation may be restored to what it should be, meaning restoration of Lebanon's unity, freedom and sovereignty. But I have, regrettably, been saying and reiterating since day one that Lebanon is the victim of Kissinger and of U.S. policy. The United States has sold itself, its soul and its mind to Israel. Israel is the one that decides and the United States is the one that implements.

The information published recently confirms that Philip Habib was aware that Israel had gotten the green light from the United States to invade Lebanon in June 1982. Israel used U.S. aircraft, cluster and fragmentation bombs and killed in 2 months more than 22,000 people, most of them civilians, and destroyed Tyre and Sidon and parts of Beirut. What is most amazing in this issue is that the military treaty existing between the United States and Israel states that Israel is not entitled to use this kind of bombs except in a defensive war. But who decides whether the war is offensive or defensive? Insofar as Israel is concerned, everything has an offensive character.

What is the reason that led to the second invasion? It is said that this invasion took place in retaliation for the attempt to assassinate the Israeli ambassador in London. But the investigations have proven that the group which shot the Israeli ambassador was planning to assassinate Yasir 'Arafat. "So, it was not Abu 'Ammar's group which carried out the operation."

Menachem Begin declared repeatedly that Israel wants to "purge the southern area and the northern borders" of the fedayeen presence and that the Israelis not advance more than 45 kilometers. But we saw how the Israeli forces marched to Beirut. Therefore, Israel's intentions have become well known and I say: What will prevent Israel tomorrow or the day after from considering the Galilee, i.e. South Lebanon, the extension of the Palestinian Galilee, the present-day Israeli Galilee, with the Israeli northern borders thus extending to al-Litani? There was a West Bank and there is now a northern bank. There is nothing to prevent Israel from doing this, especially since the United States is in an election period currently. Even though Reagan's chances of renewal are the most likely, he does not want to annoy the State of Israel with anything. Therefore, if Israel embarks on any move, it will not be faced with U.S. opposition, especially since with the formation of the coalition cabinet, the conditions in Israel are now better than ever before, considering that there is no chance that any political side would

protest and engage in oneupmanship against the other even if Peres' government decides to attack and seize al-Awwali finally.

[Question] Your answer means that you are not convinced of all that is being reiterated these days about plans for simultaneous Syrian and Israeli withdrawals from Lebanon?

[Answer] I have become like the dismissed judge who keeps on repeating that on such and such a date he made a decision which has become a precedent adopted by the courts.

In reply to your question, I say that when I was invited to attend the Geneva meeting, I refused. Why did I reject the idea of participation? Because I said then and I still say that it is impermissible that we discuss the issues pertaining to our Lebanese policy before liberation of the homeland. What I mean is: Let us follow the example of others who have a more important part than ours. For example, General de Gaulle did not think of the constitution of the Fifth Republic, of decentralization and of the French internal policy but thought of liberating the homeland first. On this occasion, I want to ask: What is the area of the remaining territory on which Lebanon is to be founded? They are now discussing an increase in the number of deputies. Why waste the time, sir? We may need no more than 10, 5 or 6 deputies (three [Christian] and three [Muslim]).

Therefore, we are supposed to discuss liberation of the homeland first. Liberating the homeland means Israel's withdrawal. Israel does not want to withdraw. Who can force Israel to withdraw? Regrettably, the United States, and the United States implements nothing other than Israel's will. Despite this, we must wait for the outcome of the forthcoming U.S. elections. The differences between the present and 4 years ago is that if Reagan's presidency is renewed, there will be no need for him to wait until he takes the constitutional oath [of office]. Thus, in his new term, President Reagan will have greater freedom in making his decisions. He might think more of Lebanon's interest and of the interest of the Arabs.

Consequently, I say: Regardless of whether Reagan wins the elections or not, Israel wants to seize Lebanon. Israel will not withdraw from al-Baruk, for example, because it has already installed in al-Baruk area sophisticated apparatuses and equipment, perhaps on agreement with the United States, to watch the area all the way to Saudi Arabia and the Red Sea and to the furthest limits the radar can cover. I have been informed that Israel is engaged in new excavation activity in al-Naqrurah to install new radar equipment. Therefore, Lebanon is the victim of U.S. strategy in the area.

We are not communists for more than one reason and we are with the United States on the basis of freedom, human rights and respect for the international laws. But we have not noticed any respect on the part of the United States for the Security Council resolutions which it approves, especially resolutions 425 and 426 which call for Israel's unconditional withdrawal from Lebanese territories. It is obvious that the United States encourages Israel to launch

a war which is costing \$1 million daily. At the request of the U.S. administration, the Congress decided to increase aid [to Israel], amounting currently to more than \$2.7 billion. The United States is supposed to at least ask Israel to withdraw from Lebanon and then give it the additional \$1 billion.

[Question] Accordingly, there is no solution for ousting Israel from Lebanon?

[Answer] There is one way to make Israel withdraw, namely the resistance in which the Lebanese people in the south are engaged. All the counties suffering from occupation have resorted to this resistance. Menachem Begin and Yitzhak Shamir in particular resorted to this resistance when they blew up on the King David Hotel in 1947. A large number of British officers were killed in the incident. We also remember their acts of hanging people from olive tree limbs, lynching British troops and planting dynamite sticks in the bodies of hanged soldiers and officers so that they would go off while they were being lowered from their gallows. This is what Begin and Shamir did. As we all know, death sentences were issued against them [by the British] and they cannot enter Great Britain except in a very official capacity. Otherwise, they will be executed in implementation of a past sentence.

Israel is currently present in Lebanon against all the international laws. Recently, Lebanon submitted a complaint to the Security Council founded on humanitarian aspects. We find that 14 countries voted for the resolution [on the complaint] and that the United States is the only country which used the veto to obstruct this resolution. Well, America: Where is freedom? Where are human rights? Where is the Bible that is placed in every room of every American hotel? You, Mr Reagan, call for prayers to be held at the beginning of every school day in all of America's schools. You urge them [school children] to love democracy, God and the law. Brother, there is a country called Lebanon which has done nothing [against Israel] since March 1949, i.e. since conclusion of the true treaty with Israel. We did not open fire on it, we did not take part in the 1967 war and we did not take part in the 1973 war. What is our sin?

I am expressing my fear of all that is happening. As Israel took possession of Arab Jerusalem through a law voted upon by the Knesset and as it has taken possession of the Golan through another law, it can embark on similar steps in Lebanon, and with the approval of the United States. What would the consequences be if the United States suspends the military treaty with Israel! This is a farce because the aircraft which the United States is said to have stopped shipping to Israel were not ready at the time.

[Question] On this basis, the continued presence of Israeli forces in Lebanon presumes the presence of the other forces.

[Answer] I do not believe any statement made by Israel. Peres announced recently that the condition pertaining to Syria's withdrawal from Lebanon is no longer necessary to bring about the Israeli withdrawal. I say: Let Israel

withdraw and I will guarantee Syria's withdrawal because Syria attaches more importance than Israel to something called international laws. The present conditions perhaps dictate the presence of the Syrian army inside Syria [As published]. However, I am fully convinced that Israel will not withdraw from Lebanon. What I see today is what I saw in the past, namely that the partition is going on.

Nobody believed me when I spoke of the Cypriotization of Lebanon. I excuse the Lebanese because the Lebanese citizen does not want the politician to tell him things that do not please him. He expects you to tell him: You are the most intelligent man, the smartest, the most understanding and the most strongly aware of the issues. But if you tell him "beware, they will partition the country and hang the Muslim with the Christian, the Christian with the Christian and the Sunni with the Shi'ite" he will not accept such words. Who will do all these things? Saint Joseph does not do such things. This is Israel's plan and it is specialized in these roles.

Therefore, I find that the partition is being implemented more extensively day by day. In al-Maniyah area, there are no less than three ports and these ports will come under the control of Tripoli and of the "Sunni state."

There is Sal'ata Port near al-Batrun which under the control of the Christian area which extends from Bshirri and Zgharta and which can be linked to al-Qubayyat area from which a large number of army members come. This port will become the port of a northern Maronite state waiting to be united with Jubayl, Kasrawan, one half al-Matn and East Beirut. In Beirut, there is the fifth basin and al-Dubayyah Port

Insofar as Sidon is concerned, it is said that Junblatt does not seek to set up a Druze state. But he has begun to build a port in Khaldah. Tyre does not know to whom it will belong: To the southern Shi'ites, to a Shi'ite state or to a joint state with the Christians? This is what we find being implemented at present. Why? Because Israel wants to partition the area and wants to partition Syria tomorrow and then Iraq. I don't find that anybody can stop the partition in this phase.

[Question] Regarding the retreats held by the cabinet and the projection of the constitutional reform attempts as a beginning for the solution, what is your opinion on these projections?

[Answer] This reminds me of the days of Constantinople when they busied themselves with trying to determine the sex of angels while the enemy was invading the country. I have recently received information to the effect that the situation in al-Kharrub District is not reassuring and that large quantities of weapons have been delivered to the warring parties. Should battles erupt, who will win? I say that the Druze will win because the plan agreed upon says: "Your area, you Maronites, is there. This is Walid Junblatt's area, and that is that."

I again say: The Lebanese does not want to hear what displeases him.

[Question] Your financial income has now decreased since Prime Minister Rashid Karami decided to reduce the deputy's salary to 5,000 lebanese pounds [monthly]?

[Answer] (Interrupting) If the effendi [Karami's popular title] is so concerned with the Lebanese treasury funds, he should have set a good example by closing the illegal ports in al-Maniyah area. Ordinarily, one-half the budget is covered from customs revenues. But where are these revenues now? Rashid Karami has perhaps done this for a joke or to prove to the Americans his concern for the state treasury and for the Lebanese pound to stand in the dollar's face. But "it will not stand in the face of the dollar."

[Question] After the 10-year war, what do you tell the steadfast Lebanese people? How should they act because it seems that it is easier to make statements from abroad and because such statements seem some sort of theorization?

[Answer] The Lebanese people are as steadfast as can be. Before anything else, all means available must be used to liberate the homeland from the Israeli forces. I say "Israeli occupation" and "Syrian presence." The Israeli enemy must be boycotted by refraining from buying olives, oranges or eggs that come from Israel. Israel has destroyed more than 80 percent of the Lebanese industry by blowing up the plants. It has burned the fields in al-Biqa' and has destroyed the crops. It prevents trucks from transporting Lebanese fruits and vegetables beyond Sidon. It might be difficult for the people to take spontaneous positions as long as they hear daily that Israel is the savior.

But what can I tell the Lebanese people? God help them. What should they do? They must boycott Israel as much as they can. But this is not what will force Israel to withdraw. What will force Israel to withdraw is adoption of the same method by Israel in Begin's and Shamir's days. This is the effective way to liberate the homeland from the colonist and the occupier.

8494

CSO: 4404/95

LEBANON

MARONITE PATRIARCH CALLS FOR SOVIET HELP IN SOLVING CRISIS

London AL-TADAMUN in Arabic No 86, 1 Dec 84 pp 22-23

[Article by Joseph Qusayfi: "We Call for the Soviet Union's Participation in Solving the Lebanese Crisis"]

[Text] The Maronite patriarch, Cardinal Mar Antonius Butrus Khuraysh, observes the political and security situation in the country cautiously but hopefully, reflecting in Bkirki Palace on what the developments might bring, refusing to pass judgment on intentions, content to draw conclusions from the results of the actions he has seen in the country and from the statements he has read.

AL-TADAMUN's interview with his eminence was marked by considerable frankness and with an absence of the traditional form for an interview, that is, with questions and answers. With bitterness and sorrow, Cardinal Khuraysh looks at the religious and sectarian disputes, which are aimed at "confiscating religion" for the benefit of this sect or that. He said that "our misfortune in the East is that each group wants to monopolize religion, and religion cannot be monopolized."

He added, sadly, "There are no more unjust and unfair actions in the world like those that man perpetrates against the rights of his fellow man, in order to control thought, freedom and direction. I told his excellency the mufti, Shaykh Hasan Khalid, that if I wanted to express religious freedom, I could not find better words than those used in the Qur'an: 'There is no coercion in religion.' And, 'If your lord wished, He would have made the people one community.'

"Are we greater than God who, if He wished, could have made the people one community? God created man free. If He had wanted to take him up to heaven forcibly, that would have been incompatible with Himself. He wants him to earn heaven by his deeds, judgments and actions. Should we, you and I, oppose the will of God?"

Regarding the current debate about teaching the Islamic religion in Christian schools, he said:

"The Ecumenical Council said about religious freedom, and the aim of religious freedom, that it is not objective. On the contrary, religious

freedom is that no one in the world has the power to force man, because responsibility stems from the truths, and religious truths are not mathematical truths. If they were mathematical truths, there would be no difference. Any person can embrace a specific religion, if a patriarch tells him that it is the true one, but there is no power that can compel him to do that. Every believer in a religion must educate his children and teach them the principles of his religion. But we must look at the systems and principles in the schools. The Jesuits were recruiting teachers of the Islamic religion, before the incidents in Lebanon, for their 'Our Lady of the Masses' school. I emphasize that every school has the ability to assign a time for religious teaching, if it has students from the different sects. And it also has the capability not to permit it."

He believes that "the matter is possible, if the Islamic and Christian schools agree on the matter of religious teaching, but no one should be able to impose that by law."

He emphasized that the school is the one "to select the teacher, because that will be within its purview, along with the necessity for the teacher of the Islamic religion to be a Muslim and the teacher of the Christian religion to be a Christian."

After stressing that he did not know what was happening in this regard in the northern capital, Khuraysh said that it was not a good time now and that force and coercion were not absent. "The schools also do not have to teach religion to anyone. Christians can rely on sending their children to church to receive religious instruction on Sunday, and Muslims can send their children to the mosque to be taught the principles of the Islamic religion, if the matter of religious instruction in the schools provokes sensibilities in this situation." He urged that this matter be kept free of exaggerations. Cardinal Khuraysh found great injustice when some insist on considering the Christians in Lebanon to be monopolizers of prerogatives. Regarding this matter, he said: "There is no country in the East in which Christians and Muslims are equal in rights and religious freedom so much as in Lebanon. This did not come by accident or for nothing. On the contrary, it cost copious amounts of blood. The earth was enriched by Christian blood. I said that bluntly to the Muslims. Christians, and especially Maronites, have maintained the existence of freedom by their sacrifices and with the support of some European nations, particularly France."

His eminence explained how the Lebanese formula came about as a compromise between the Muslims' rejection of the independent Lebanese entity and the Christians' adherence to the West, motivated by their fears. The Lebanese agreed upon the distribution of posts within the framework of this formula.

Then he said: "The presidency of the republic was not a 'yes man' for the Maronites; on the contrary, he was a 'yes man' for others. The Maronites gained a destruction of values from this office, because of competition for the high positions. I told the mufti, Shaykh Hasan Khalid, that the president

cannot accomplish anything without you, and you determine the prime minister. I cited as an example of that, Prime Minister Nur-al-Din Rifa'i whom the Muslims rejected in 1975, imposing Rashid Karami instead. As for prerogatives, you have them. In the days of the Turks, Christian clergy had prerogatives. I also told his excellency: 'Today, you have become a lawmaker, who meets and makes decisions regarding matters of your sect. You obtained this right in 1955, and it was President Camille Sham'un who gave it to you. I challenge most of the Islamic countries to extend to their muftis what was extended to you.'" Cardinal Khuraysh talked about his cooperation with President Amin al-Jumayyil: "My cooperation with him is absolute. I support the legitimate government. If I have something to say to the president, I say it to him directly and not on the pages of the newspapers."

Regarding the spiritual Christian-Islamic summit, the Maronite patriarch explained at length the background and developments accompanying the preparations for it, as well as those for the Christian-Christian summit.

"We are certainly prepared to hold the spiritual summit. The spiritual leaders cannot resolve the problems because they have no executive power. Rather, it is their place to bring opinion and points of view closer together."

He pointed out that some sect leaders no longer believe that it should be held, and that Shaykh Muhammad Mahdi Shams-al-Din no longer wants it, since he has said: "This summit will take time."

Regarding Syria, Khuraysh said: "Time has proved that we cannot do anything without it."

He described his relations with it as being "excellent. I do not believe that they are as they were before."

His eminence thought it unlikely that "so-and-so would go," believing that that "would be a waste of time, and only those concerned must deal with affairs between the two countries." He added: "I do not know whether people take these comings and goings seriously, or that anyone expects blessings and comfort."

Regarding what was reported of Mufti Khalid's interview with one of the weekly magazines published in Beirut, he said: "It was clear from his excellency's words that Muslims, in principle, want Islamic rule if that is possible."

Khuraysh added: "We are not at all satisfied to be in a country in which there is no equality of rights with the majority of the citizens, no matter how much time passes."

He continued: "I told the Muslims that retaining the Christian identity was in their best interests, so that they can prove to the world that coexistence with them is possible."

In the course of his talk about possible solutions to the Lebanese crisis, which has lasted so long, Khuraysh said: "There must be agreement in this country on the form of government and constitution, with the Arab League and the United Nations guaranteeing them. It would be best for Lebanon to be neutralized."

When he was asked about international solutions to deal with the Lebanese crisis, Cardinal Khuraysh called for "the Soviet Union and the United Nations joining with the American effort to resolve the Lebanese crisis, because Russia has the capability of placing obstacles in the way, unless it participates in the solution process."

At the conclusion of the visit, the Maronite patriarch emphasized that "the option of a unified Lebanon is the option that will be resolved after the fanatical doubters of this matter go along with this Lebanon. However, some believe that the formula has become old and that there must be effort made to find an alternative formula that everyone can agree upon."

7005

CSO: 4404/128

LEBANON

SHA'BAN SAYS AL-NAQURAH TALKS ONLY IN ISRAELI INTEREST

London AL-TADAMUN in Arabic No 86, 1 Dec 84 p 24

[Interview with Shaykh Sa'id Sha'ban, head of the Unification Movement in Tripoli, Lebanon, by Amal Yusef: "Al-Naqurah Negotiations Maintain Israel's Security At Our Expense"; in Beirut, date not specified]

[Text] In Tripoli, northern Lebanon, they call him 'al-Amir' [the commander, prince], and in most of the Lebanese and non-Lebanese towns and villages, they attach great importance to his views and fantasize about his movements and contacts.

Shaykh Sa'id Sha'ban, the leader of the Unification Movement in Tripoli, was the most powerful and visible person in the events that took place in that city several months ago against the Syrian forces in Lebanon. When clashes occurred inside the Palestinian camps in the north, he supported Yasir 'Arafat, the head of the Palestinian Liberation Organization [PLO], took part in the fighting with him, defended him, and then supervised obtaining 'Arafat's safe passage from Tripoli.

After that, a truce was successfully achieved, and the Tripoli incidents ended. The result was conciliation between al-Amir and Syria, which was crowned by his meeting with President Hafiz al-Asad that lasted for 2 hours.

Shaykh Sha'ban recently visited Beirut. His visit was surrounded by many questions that some people raised, such as what does he want in Beirut?

AL-TADAMUN met with Shaykh Sha'ban and asked him this question, along with several others.

[Answer] This question is surprising. It is surprising that a Muslim would be asked why he is visiting his people and his brothers. In fact, we have been feeling remiss for putting off a visit to Beirut; we have people and brothers in Beirut. There are Muslims who are being exposed to a great many calamities and misfortunes. We have come to console them. We have come for the purpose of communicating with them on the need to unify ranks. We are truly and firmly together with them.

[Question] What is the extent of your compliance with the security plan in Tripoli?

[Answer] Our compliance with the security plan stems from our share in stopping the bloodshed, the acts of kidnappings and the shelling of peaceable people, and because we still feel that civil war achieves nothing positive. In addition, for each Lebanese, the security plan will not meet with a great deal of success, due to the multi-sectarian Lebanese composition and because of the contradictions inherent within the regime itself. The symbols of the regime themselves do not yet agree on the security plan. One should not ask others to be more kingly than the king.

[Question] Do you mean that the security plan will not meet with success?

[Answer] When Lebanon succeeds in getting out of its sickness and its fragmentation, the security plan will be implemented all over Lebanon. Until then, it cannot succeed in one area without being in another.

We ask those who talk about the security plan to implement it instead of alluding to it. If we consider every security plan they propose without implementing them, there will be a return to the troubles of the city.

[Question] Regarding the issue of those who were kidnapped in the North, which has not yet been concluded, what is its impact on the situation in Tripoli? Can the fact that it has not been concluded lead to new clashes, for example?

[Answer] We believe that the case of the abducted is an issue that has been fabricated in order to keep the security situation in the north tense. However, reasonable people do not try to make the situation more tragic in their country. We hope that those abducted persons who are alive will return to their families. Therefore, we ask the families of the abducted not to punish Tripoli with breaches of security, not to punish it because the kidnappers want to keep this issue open. If they want to declare their protests, make them at those who kidnapped their sons, not at the city from which their boys were abducted.

[Question] The government has acted to restore legality to the Lebanese ports. Does that include the port of Tripoli, which you control?

[Answer] I do not see any sign of legality in any one of the ports. I do not believe these lies. The ports have become the property of the Lebanese Phalange Party by the sanctification of legality. Therefore, returning the ports to the legitimate government is not the only expression for returning legality to life. On the contrary, the legitimate government must be able to control security and provide it to the people, so that they can control the ports and all the public utilities.

[Question] It has been noted that you have directly and indirectly criticized Prime Minister Rashid Karami in particular, and the government of 'national

unity' in general. What was your intention behind that?

[Answer] The truth is that our positions are premised on our point of view of legitimacy. We have said this from the beginning to Prime Minister Rashid Karami. We still believe that some of those participating in the government have not earned the right to be there. The alternative is a just government, based on equality for all.

[Question] You have announced your opposition to the al-Naqurah negotiations. What is your basis for this opposition?

[Answer] We reject the negotiations, because the purpose of them is to safeguard Israel's security. Israel is a cancer that must be removed. We must reject the negotiations, because they would achieve peace and recognition for Israel. We do not believe in peace with Israel, nor in its existence.

[Question] You have met with Shaykh Hasan Khalid and Shaykh Muhammad Mahdi Shams-al-Din. It was rumored in some circles that you are trying to establish a broad and united Islamic front, composed of all the religious schools of thought. Did you find acceptance from the parties with whom you met?

[Answer] Islam does not form fronts. Islam constitutes a nation. We are one nation with all Muslims. Legalistic differences in points of view do not concern me after that. We are one nation; therefore, we came to assert our unity, not to form a front. In any case, fronts are more inadequate than our comprehensive Islamic outlook.

[Question] Talk about sectarian disputes has increased recently and specifically between the people of one religion, i.e., Islam. How do you see the situation now?

[Answer] These are merely rumors. Neither Shi'i nor Sunni expansion would make us afraid. We are afraid of Israeli expansion. Wherever the Shi'a expand to, they are close to our hearts. They are our brothers. Like the Sunna, the Shi'a are people of this country and defend it, just as the Sunna do.

[Question] Does your promise to establish an Islamic state in Lebanon still stand?

[Answer] We call for the establishment of an Islamic society in the entire world. Lebanon is a part of the world. Islam is not a regional state, but it is God's religion for all the people. Therefore, we are striving for the establishment of an international Islamic society, with Lebanon being one part of this society. We shall work to spread Islam throughout the entire world.

7005

CSO: 4404/128

LEBANON

BEIRUT CHAMBER OF COMMERCE CHAIRMAN STRESSES NEED TO BOLSTER LEBANESE POUND

London AL-HAWADITH in Arabic No 1460, 26 Oct 84 pp 69-70

[Article: "Disappointment in Government Threatens Ship of Economy With Drowning; 'Adnan al-Qassar Reveals Initiative to Stop Deterioration']

[Text] There is more than one justification for the questions concerning the course of the Lebanese economy and the dangers threatening it in the coming phase. Despite the relative steadfastness of the Lebanese economy throughout the years of the war, the past months have witnessed a successive chain of rapid deterioration affecting all aspects of the country's economic performance.

It is nothing new to say that the commercial sector is subjected to severe pressures because of fluctuations in the currency exchange prices and because of the rabid increase in the prices of imports. Moreover, the agricultural sector has been exposed to a direct blow with Israel's occupation of the south and its control over the shipment of crops across the occupation gates. The industrial sector is incapable of "absorbing" the destruction to which it has been exposed, especially since borrowing from the banks has become tied to the security condition primarily, a condition on which nobody can wager.

On top of all this, there has been the recent rapid collapse in the price of the Lebanese pound, as if the difficult situation needed more complication. While question marks arise regarding the role which the economic and financial agencies should play to float the ship of the national economy which is now showing traces of the exhausting shocks, worrisome questions have continued to be raised in the political and economic tug of war.

Are the crises emerging now the result of what has been accumulating under the surface throughout the past 10 years? Or have the elements that developed recently been enough to push the Lebanese economy into the crisis from which it is now suffering?

The question asked every morning is: How is the pound's price today? This question is considered in itself the conclusion of a period in which all of Lebanon, excluding its currency, has been shaking. Has the collapse begun to threaten the Lebanese pound also or is it a summer cloud which will pass

quickly? Should this cloud hang on for a long period, what will the impact be on the living standard of the Lebanese citizen and on the state and, consequently, on the economic structure?

Within the framework of these questions and under the impact of their weight, the economic and financial situation in Lebanon was reviewed at AL-HAWADITH offices in London. The visitor and guest was 'Adnan al-Qassar, chairman of the Beirut Chamber of Commerce and Industry.

It was more of a discussion than an interview with 'Adnan al-Qassar and the political and security aspects had to be touched upon because how could the economic crisis be overcome if the security deterioration blocks the way and if the cabinet meetings lead to no clear result that has its impact on the ground and on the people's life?

Al-Qassar has said: "We attached big hopes to the national unity cabinet. Even though we believed at the outset that the presence of all these leaders together is in itself an accomplishment, we now wonder about the true nature of this accomplishment if they all continue to sit next to each other without agreeing on anything. Where is the accomplishment when we only see them shake each other's hands, have their lunches together and come and go without reaching a single agreement helping Lebanon overcome its crisis? Take for example the appointment of the governor of the Bank of Lebanon. The issue here is not political. It is an appointment that is certainly not connected with the Middle East crisis. It merely concerns agreement on a person. Despite all the qualities of the present governor, he personally says that his term has ended. Is it permissible to leave the issue suspended in this manner, thus providing the opportunity for all the manipulation we have noticed in the currency market insofar as the dollar is concerned?

These phrases with which 'Adnan al-Qassar started demonstrate the extent of the connection between what is political and security with what is economic and financial in Lebanon. However, it is impossible to "disengage" the two courses. The financial situation, like the other conditions in Lebanon, suffers from the absence of the "element of decision"--an absence that obstructs the possibility of improving the situation.

In an issue like the issue of the dollar, there is the need to price U.S. currency on a daily basis but pricing alone is not enough. Developing the system of control over the banking apparatus and the currency market is the necessary condition that will give this pricing measure meaning. All this is tied to the Central Bank's performance of its role--a role which is now frozen in the refrigerator of disagreement over appointment of the governor.

Despite the pressures exerted by the businessmen and the prominent industrialists for a speedy solution to this problem, the political ice is stronger than the heat of these pressures. The result of the "hanging" situation are the sharp fluctuations experienced by the Lebanese money market recently, including the rapid "slide" of the Lebanese pound which has astonished the Lebanese before others.

During the discussion, 'Adnan 'al-Qassar pointed out that despite the degree of deterioration reached, especially by the economic sectors, the government has taken no steps to stop this deterioration. The prevalent logic is still the logic of pleasing so and so and appeasing so and so, even if this comes at the expense of the country's economic performance.

After the issue of the governor of the Bank of Lebanon, there follow a series of other problems, such as the problem of the drying up of the state revenues, the multiplicity of illegal ports and, consequently, the decline of the revenues of the legal ports, and a budget deficit which has amounted to 10 billion pounds, keeping in mind that the revenues from the ports alone could amount to 5-6 billion pounds. All these are problems that confirm the close contact between the political and security trouble line and the economic and financial trouble line in Lebanon. It is a contact that has compelled the state to treasury notes through which to borrow from the market.

As for the ramifications of the crisis to the banking sector, they are defined, as demonstrated by the discussion, within the same framework, i.e. the framework of the connection between what is financial and what is political. No decision will be made on the debts which the merchants owe the banks unless "normal life" is restored to the instruments of legal dealings. There are no courts and no practical possibilities for the banks to sue in order to recover their monies. Rather, 'Adnan al-Qassar believes that resorting to such measures under the current circumstance is undesirable because the "failure of the borrowers to repay is due to circumstances beyond their control. Generally, the Lebanese merchant does not deny his obligations. But the bank must be patient until the conditions clear up by a degree that enables this merchant to meet his obligations."

'Adnan al-Qassar added that if the security situation in al-Shuwayfat continues to be as complex as it is at present, then how can the banks be asked to lend al-Shuwayfat factories under the canopy of these nuclear conditions? The loan may go for repairing a plant that could turn into debris.

The urgent question which imposed itself on the discussion was the question seeking an explanation for the rapid recent deterioration in the performance of the Lebanese economy even though this economy had remained relatively firm throughout the past years of the war. What has happened?

Answering this question, 'Adnan al-Qassar said: "There is the shock element which plays an important part in answering this question. We should not forget that after 9 years, something happened which made the Lebanese citizen believe that the tragedy he had undergone was about to end. But what happened has been disappointing because nothing has changed. The political and security chaos has resurged and the conditions have returned to what they were before. This has been tantamount to a shock to the Lebanese who had hoped for good to come out of the formation of the national unity cabinet. This [shock] has affected the financial and economic performance. Arab and foreign capital has refrained from coming to the country. The Lebanese expatriate has also been affected. All said a short time ago that the issue has ended up with the Lebanese sitting with each other. So, let us first

find out if this will solve the problem. But nothing has been solved, and this is where the shock lies."

The discussion then turned to the Arab aid promised Lebanon. 'Adnan al-Qassar said: "Thank God, we have not received a single piaster. It is evident that discussing this issue requires first establishing a degree of stability in our conditions. Those promising the aid say that as long as the situation continues as it is at present, we have to wait a little to see how it ends."

From the aid, the discussion turned to the movement of the Lebanese capital, whether the capital invested outside or inside Lebanon. Regarding the capital invested abroad, there is a question mark regarding the possibilities of its return. Regarding the second, there is a question mark regarding its emigration. Al-Qassar commented on the two (situations), saying: "The day of 6 February witnessed a relative change in the situation. It was said in the eastern area, for example: 'Junblatt has come. Transfer your money abroad.'

"Despite this, only small sums of money were transferred to the outside world. The Lebanese has maintained his confidence in the future of Lebanon. This can be seen in the air traffic from and to Lebanon. Airliners leave Beirut with 50 percent passenger occupancy and return with 85 percent occupancy. The return of people means implicitly a financial return. However, the remittances from Lebanese abroad have generally dropped. These remittances amounted to \$125-\$150 million monthly in past years whereas now only 10 percent of these remittances continue to flow in."

Commenting on this phenomenon, al-Qassar said: "If the crisis ends, it is likely that we will witness capital flow that will enable us to dispense with all aid."

Al-Qassar added: "I will not hesitate to say that on this visit to London, I have been surprised by the large number of Lebanese businessmen. Many of them began modestly but are now classified as heavyweight businessmen. I recall in this regard a famous statement by ex-Prime Minister Salim al-Huss: 'There is no fear for the Lebanese. The fear is for Lebanon.'"

It is certain that the success of the Lebanese businessmen is a gain for Lebanon. A distinguished band of businessmen emerged from the finance and business "kitchen" which thrived with activity and movement in the 15 years preceding the war. At the outset of the events, these businessmen left Lebanon for the Arab countries to serve and to benefit. These businessmen, with their expertise and experiences, are themselves a big capital that must return to Lebanon someday.

But until this emigrant "capital" returns, the reality with its problems will continue to be present. Lebanon imports 90 percent of its needs and the weak Lebanese pound is likely to create a deep flaw in the prices. How has the Beirut Chamber of Commerce and Industry faced this situation that is almost killing the consumer with a limited income in Lebanon?

Answering this question, al-Qassar said: "We went to the governor of the Bank of Lebanon and made it clear to him that it was necessary to adopt immediate measures to stop the deterioration in the financial and economic situation. We requested, for example, that the share of the banks in foreign currency transactions be limited and its percentage reduced according to (each bank's) capital. But they responded to this request a long time after we made it."

Naturally, this obvious drop in the remittances made by the Lebanese working abroad denies the Lebanese economy an important mainstay which played an important part in "floating" this economy in the past period. What adds further "touches" to the general picture of deterioration is what is happening in the south, embodied in the Israeli occupation authorities' refusal in most cases to permit the farmers to ship their production outside the occupied area, as well as the commercial recession experienced by the western area--a recession "imposed" in some sectors, such as the restaurants and coffee shops sector.

However, stopping the drop in the pound's exchange price is the urgent measure needed now. Without the adoption of measures that guarantee stabilizing the money market's situation, many issues will continue to rest on "a devil's palm." Such a measure is within the jurisdiction of the Bank of Lebanon first and foremost. It is necessary, for example, to hold a meeting between Lebanon's main financial and economic bodies to agree on specific steps to stop the deterioration. Speculation in the Lebanese pound outside the country must be stopped. This speculation takes place with the knowledge and under the supervision of a number of Lebanese banks abroad.

'Adnan al-Qassar underlines the importance of adopting some sort of a measure to deal with what is happening in Lebanon, adding: "We will not be very patient with this manipulation. I am returning to Beirut immediately and I will, through the Chamber of Commerce and Industry, begin adopting a number of measures which reflect the consensus of the Lebanese merchants and industrialists and their concern over this tampering with the country's economy. There are certain circles that benefit from the current deterioration at the expense of the Lebanese economy's future."

When the discussion touched on the possibility of imposing restrictions on the transfer of money out of Lebanon, as has happened in other countries at times of crises and war, al-Qassar rejected such restrictions "because Lebanon is a country famous for its free economy. This has been the quality that has distinguished it throughout its history: Free economy and free trade. Moreover, restrictions on currency are not the only means through which an end can be put to the current deterioration. This economic freedom gave Lebanon its prosperity which was then ruined by politics."

The questions and answers went on only to demonstrate one thing, at least from the financial and economic standpoint, namely that there is no alternative to bolstering the central agencies entrusted with regulating the economy, the commercial activity and the money market in Lebanon because without a strong state behind which all the Lebanese rally, there is no hope of Lebanon's resumption of its past role in the area.

LEBANON

INDUSTRIALISTS ASK FOR AID FROM STATE

London AL-MUSTAQBAL in Arabic No 406, 1 Dec 84 p 55, 57

[Article: "Praise Alone Will Not Save Lebanese Industry"]

[Text] The demands of Lebanese industrial boards, on various levels, have increased recently, calling for a need to aid industry and to strengthen its production, marketing and export capabilities. Not a day goes by without an industrial initiative directed at one or more officials, whether through statements or memoranda or studies. These initiatives are nearly congruent in terms of demands and similar in terms of methods.

With regard to that, officials--all officials--express 'understanding' of the demands and 'a complete willingness' to aid industry, since it is a basic pillar of the economy and one of the resources of the balance of payments. Officials, of course, do not forget that industry is the largest sector, both in terms of labor and wages.

In the flood of this coordinated campaign for aid to industry, mention must be made of some of the impediments that block this mission. They are obstacles which show, to a great extent, the means for implementation of the aid policy.

One of the most prominent obstacles, which the state has been unable to deal with, in order to launch the aid process, is that the organizations concerned with making industrial loans, in one form or another, are all shut down as a result of the state's current inability, until further notice, to open the file of appointments and fill the vacant positions in the various organizations and agencies. For industry in particular, this means the following organizations:

1. The National Bank for Industrial and Tourism Development. This bank is a blend of the private and public sectors and was established in 1973, specializing in granting long-term loans to industry and tourism. It is now in a complete vacuum. There is no board of directors empowered to make decisions, no matter how limited or marginal.

About a month ago, the bank's general assembly met to discuss the data from 1982. With the end of the discussion, the board of directors' term ended.

Accordingly, the general assembly unanimously elected representatives of the private sector to the board of directors, without any change, in the hope that the government would appoint its representatives to the board, in order to complete its contract and so that it would be able to meet, make decisions and implement. Since the appointments have not yet been made, even as this column is written, the National Bank for Development is in a complete vacuum.

Reference must be made to the fact that that bank has a vital role in granting loans to industrial organizations, whether through its own funds as a bank, or through its role as an agent of the Council for Development and Reconstruction in implementing the loans allocated for persons who have suffered damages, since 200 million Lebanese pounds has recently been earmarked for this purpose. This bank is the basic tool for the Council of Development and Reconstruction to implement emergency industrial loans, since the other banks that have an implementation mission have a limited capability, and some of them are no longer able to pursue this mission. The industrialists expedited granting the 200 million pounds to the Council of Development and Reconstruction and have continued to expedite the formation of the board of directors of the National Bank for Development, so that it could be the basic tool for implementing this loan.

2. The National Organization for Investment Insurance. This organization has been defunct for about a year, and perhaps longer, following the resignation of some members of its board of directors, and the ending of the board's term as a whole. Because of the resignations, it was impossible for the board to meet and make decisions, even within the principle of continuity.

This organization, as is well known, has the job of insuring the fixed assets of various organizations, especially industrial ones, against non-commercial dangers.

For a year, this organization has been unable to make decisions on the new insurance applications it has received. Moreover, it has been unable to renew old insurance policies or pay out the compensation due to insured persons whose factories have been subjected to damages, whether through the war of the mountains in 1983 or the war of the suburbs and mountains last February. Accordingly, the factory owners cannot collect the reparations owed to them in order to strengthen their liquidity and have been unable to arrange new insurance policies. Note that these policies are a necessary condition to enable any organization to obtain a loan from the Development and Reconstruction Council. Therefore, the applications are accumulating in this organization, which is awaiting the appointment of a board of directors, since the director of the organization is not authorized to make decisions on the applications.

The fact is that appointment of the National Organization for Investment Insurance's board of directors will, to a great extent, be difficult since this organization is tied through legislative regulations to the National

Council for [Foreign Economic] Relations, whose chairman has the right of partial executorship over the organization and the right to name three of the members of its board of directors. Since the legislative regulations were drafted in the venue of a special committee, and since the regulation governing the National Council is in the forefront of the laws currently being debated, it is apparent the appointment of the organization's board of directors might await the conclusion of all these questions, which might take a long time, because they are tied in with the political accord, and with the extent of the cabinet's ability to settle the matter of the legislative regulations, since it was given emergency powers to amend or abolish them. As for why it does not agree on the members of the board of directors, apart from these other considerations, the questions was raised some time ago, but the situation has not changed at all.

3. The Export Credit Insurance Organization. What was said about investment insurance can also be said about the Export Insurance Organization, since the latter is also subordinate to the National Council for Foreign Economic Relations and, consequently, the fate of one is tied to the fate of all. Whatever it may be, the need for this organization is increasing, particularly with regard to exports to Iraq, since Iraq demands that it be granted exemptions through delayed payment of the costs of its imports, due to its present financial circumstances. This organization is provoking constitutional and legal debate since it is legally the state's duty to pay out funds requested from the National Assembly, just as it is for any other public expenditures. In addition, there is argument over the feasibility of this organization in a country like Lebanon, given the volume of its exports and the nature of exporting, which is the specialty and task of the private sector without exception. Whatever the case, this matter must be settled and the hoped-for purpose of this organization achieved, regardless of the nature of this framework or its name. What is urgently required is the establishment of an organization to supervise export operations from the financial aspect and to offer facilities to exporters, in accordance with the import markets and the requirements of all of them.

It is clear from all this that these three organizations are directly concerned with making industrial loans, whether directly or through insuring assets, or through insuring exports. All of this constitutes financial easement for industrial organizations. These organizations are apparently out of commission, due to the problem of appointments with which the cabinet has been grappling for some time. As everyone knows, the cabinet has so far been unable to appoint a new governor of the Bank of Lebanon, along with his three deputies, despite the urgent situation that demands expediting this appointment. If there is an alternative to appointing a new governor, through extending the term of the current governor, that alternative does not exist in those three organizations. Moreover, the principle of continuity cannot be applied. Therefore, delay in these appointments means delay in the operation of these organizations.

Industrialists are demanding the state's assistance, and the government is expressing every willingness and understanding, while the industrial sector is very grateful for all the praise and commendations it has received for its vital role in the growth of the economy.

SAUDI ARABIA

KING FAHD'S LIFE, CAREER EXAMINED

Jeddah FAHD AL-WATAN WA AL-HADATH [FAHD: THE HOMELAND AND EVENTS] in Arabic 1984
pp 93-97

[Article: "The Life and Career of King Fahd"]

[Text] 1. His Life

Fahd was born when 'Usayr was subdued in 1923 A.D. (1342 A.H.) and when His Majesty, the late King 'Abd-al-'Aziz was trying to lay the foundations of this great country. His birth was a good omen, for in the few years that followed his birth the founder of the kingdom was able to accomplish his great mission, and the scattered parts of a country were united into one large country that came to be known as the Kingdom of Saudi Arabia. Fahd was nine years old when the kingdom was proclaimed.

Events and Vision

Since his early childhood Fahd lived through those major events of his father's career that became clear to him, and he lived through the conquests his father achieved all over the island until this kingdom was founded. These events had a profound effect on him. In later years they were to make of him a leader capable of assuming responsibility. Fahd's experiences turned him into a sophisticated commander who would steer the course of the nation to prosperity and growth. His gift for leadership and command was developed by his eagerness to keep his father's company. His father was usually surrounded by the elite among Arab men of the time, who were headed by his father, that great man who accomplished what he did. Fahd learned much from the knowledge that these people had. What he saw about peace and war was stored in his memory and understood and understood; it shaped his character and gave it dimensions which later forged the man's character. Fahd's character is based on those foundations and principles which 'Abd-al-'Aziz had instilled in his children, foundations and principles that he himself had taught them.

His Education

When he was still a child Fahd joined the princes' school in Riyadh where he studied some science and general subjects. Then he joined the Academy of

Learning in Mecca for a certain period of time where his appetite for learning broadened his horizons, increased his knowledge and sharpened his character. The knowledge he acquired in school was in addition to what he had learned from his father's character and the great deal he had learned from his own experiences. His close association with His Highness King Faysal, may God have mercy on his soul, also gave him more experience and practice as well as an opportunity to delve into all matters of government and politics. The fact that he excelled at an early age induced his late father, King 'Abd-al-'Aziz to entrust him with the task of representing him abroad. It was also Fahd's achievement of excellence at an early age that induced Faysal to rely on him and his help in the affairs of government and foreign representation.

The Ministry of Education

Fahd ibn 'Abd-al-'Aziz was the first minister of education in the country. He is the one responsible for the country's broad educational program, and he is considered the father of education in this country, a title he still cherishes. Fahd still asserts in many of his interviews and meetings that he is proud of being considered the father of education.

Positions and Duties

Fahd was then appointed minister of the interior.² Then, when King Faysal ascended the throne, he appointed Fahd second deputy prime minister. It was in that capacity that he chaired most cabinet meetings during those years. In addition, he also served as minister of the interior until he became crown prince and first deputy prime minister.

Fahd presided over the following councils and boards: the Supreme Council for Petroleum and Minerals; the Supreme Council for the Universities; the Supreme Council for Youth; the Supreme Committee for Educational Policy; and the Supreme Committee for Pilgrimage Affairs.

Fahd headed the kingdom's delegation to the Queen of England's coronation ceremonies in 1953 A.D. (1373 A.H.).

He headed the kingdom's delegation to the meetings of the 32nd session of the Arab League which were held in Casablanca in 1959 A.D. (1379 A.H.).

He headed the kingdom's delegation to an emergency meeting of the 33rd session of the Arab League. That meeting was held in Shtura, Lebanon in 1960 A.D. (1380 A.H.)

He represented the kingdom at the first session of the Conference for Arab Heads of State which was held in Cairo on 2 January 1965 A.D. (7 Ramadan 1385 A.H.).

1. There is a special chapter on Fahd's efforts in education.

2. There is also a chapter about his role in reinforcing security and developing security agencies.

He also represented the kingdom at the second session of the Conference for Arab Heads of State which was held in Cairo on 26 May 1966 A.D. (26 al-Muharram 1386 A.H.).

He visited France in 1967 A.D. (1387 A.H.) at the invitation of the French government, and he was received by General De Gaulle.

In 1971 A.D. (1391 A.H.) he headed the kingdom's delegation to the United States of America to conclude an agreement for economic and commercial cooperation.

On behalf of King Faysal he headed the kingdom's delegation to the Summit Conference for Petroleum Exporting Countries. That conference was held in Algeria on 3 March 1975 (18 Safar 1395 A.H.).

He visited France another time in 1975 A.D. (1395 A.H.).

In January 1980 he took part in the Islamic Summit Conference. The late King Khalid had asked him to continue presiding over the conference.

He took part in the two Arab summit conferences that were held in Fes, and he presented a peace plan that was approved, with few amendments, during the second part of the meeting which was held in September 1982 A.D.

Fahd traveled abroad several times: he visited West Germany in 1979; Syria, Iraq and Jordan in 1978; Iran and Britain in 1975; and the United States in 1977 where he met with President Carter. In 1975 he went on an official visit to Paris where he was received by President Giscard d'Estaing and signed a cooperation agreement with France.

Fahd also met with French president, Francois Mitterand in Paris in September 1981, and he met with him another time in Jeddah. After that, he met with him in Cancun during the North-South Conference that was held in October 1981. There he also met with U.S. President Reagan. Afterwards he toured in Europe to defend the Palestinian cause.

Fahd's participation in these activities did not constitute his only efforts during those years. These are only examples of what he did above and beyond his enormous responsibilities inside the country and abroad.

Personal Characteristics

His Majesty King Fahd is a man who is distinguished by the strength of his character, the clarity of his vision and his firm but not stern resolve. His majesty considers justice to be the solid foundation for every ruler. He believes that what one does with justice is better than what one forces on people with injustice and might. His Majesty says, "The Islamic faith is the

1. 'UKAZ Newspaper, 14 June 1982 (22 Sha'ban 1402 A.H.).

2. AL-MAJALLAH, No 133, 19 June 1982.

foundation of justice, and justice is the foundation of kingship. We are charged with the responsibility of ruling in accordance with what God has decreed. As we undertake that responsibility, our hearts tremble with fear lest we fall short of fulfilling our duty and thereby deserve the punishment of Almighty God."

Although this is a brief statement, it is considered a key to his majesty's character because it provides evidence of his philosophy and his view of things. Anyone who shows his regard and his fear of God, will try to conduct himself in a superior manner. He will try to be faithful to the interests of his people; he will work to make them happy; and he will look after their comfort.

Another feature of Fahd's character is his strong faith in objective, constructive dialogue whose primary purpose is the public good. He is therefore tolerant of other opinions and willing to listen to them as long as the objective is the supreme interest. He is, however, stern in truth since truth is the twin brother of justice, and he adheres to justice because he adheres to Islamic law and to the values and principles that the True Religion has urged us to observe.

Loyalty, affection and altruism are among Fahd's salient characteristics. He is a loving and loyal man. Nothing can be more telling of that than how moved he was when he relayed to the world the somber news of the death of His Majesty, the late King Khalid ibn 'Abd-al-'Aziz. His voice broke and tears filled his eyes as he announced the king's death in moving remarks. He said, "Praise be to God the Everlasting! May God bless the messenger and grant him salvation. The messenger of God would not have left this world before completing his mission in it. Now then: In these difficult moments when our hearts are filled with grief and sorrow as we bid our late King Khalid ibn 'Abd-al-'Aziz farewell, whom God has chosen to His side, I extend my sincere condolences to each Saudi Arabian for this grievous loss. King Khalid, may God have mercy on his soul, was a father and a brother to us. He gave us his love and sincerity, and he devoted himself to our service and to attending to our affairs. He did much for Arabs and for Muslims, and he did it all to obtain God's favor, to defend His religion and to advance His word. Our affection for the late king compels us to continue his course and strive to achieve his hopes and complete his plan, adhering therein to the Koran and to the Tradition of His prophet, may God bless him and grant him salvation. We seek nothing but to promote the affairs of Arabs and Muslims and bring about prosperity for this generous homeland. Faced with this disastrous loss that has befallen all Muslims in general and this nation in particular, we can only persevere in the face of death and pray God for His mercy to the deceased. We pray God that He keep him in paradise, and we say what God ordered us to say in the face of adversity: "Suffice it to say that we put our trust in God Almighty. Peace be with you, and may God bestow His mercy and His blessings upon you."

8592

CSO: 4404/168

SAUDI ARABIA

BANDAR SET TO MEDIATE BETWEEN AL-ASAD AND 'ARAFAT

London AL-HAWADITH in Arabic No 1467, 14 Dec 84 p 36

[Article by Sultan 'Abdallah]

[Text] "Your Highness the prince, I was unable to meet with Abu 'Ammar any longer in the Guest Palace because he did not want to delay you. So I suggested accompanying him to the airport to finish my interview with him. He agreed and said to me 'You are going with me to a supporter of newsmen, Prince Salman.' Will you permit me to finish my conversation with him?"

Prince Salman said: "I am a supporter of Abu 'Ammar before I am a supporter of newsmen."

This incident took place in the Royal Hall of King Khalid International Airport in Riyadh between Prince Salman bin 'Abd-al-'Aziz, emir of the Riyadh region, and one of the newsmen and Yasir 'Arafat before the latter left the Saudi capital to continue his Arab and international tour which began after the conclusion of the 17th session of the Palestine National Council in Amman.

'Arafat's tour, which started in Saudi Arabia and included meetings with King Fahd, Crown Prince 'Abdallah bin 'Abd-al-'Aziz and senior member of the Saudi regime, was described by a Palestinian official accompanying 'Arafat as being "important" without revealing very much.

However, informed sources told AL-HAWADITH that the coming days will witness Arab activity on a variety of levels that Saudi Arabia will guide under the heading of "clearing the Arab air." It will get underway with an attempt at Syrian and Palestinian reconciliation, or more precisely, a reconciliation between Syrian President Hafiz al-Asad and PLO chairman Yasir 'Arafat.

Based on information reaching AL-HAWADITH, Saudi ambassador to Washington Prince Bandar bin Sultan, who has been in Riyadh for the past few weeks, will soon be in Damascus to offer fresh Saudi mediation to reconcile al-Asad and 'Arafat in a way acceptable to both parties.

During his visit to Riyadh, 'Arafat informed Saudi officials that he would welcome a restoration of matters to their normal course with President

al-Asad, with past differences forgotten, provided the Palestinians remain free to make their own decisions and remote from any attempt to control them.

A Palestinian official told AL-HAWADITH that 'Arafat praised Syrian efforts and the positive role played by President al-Asad in the Arab cause, especially during the 1973 war.

Palestinian sources revealed that 'Arafat is ready to visit Damascus whenever there are positive signs from the other party.

The forthcoming Saudi mediation is expected by some to succeed, in contrast to many others who think it will not make any progress. The latter base their view on the Riyadh government's previous efforts in this regard.

However, the question at issue is: What are the factors behind the Palestinian-Syrian dispute?

If 'Arafat is demanding the independence of Palestinian decision-making and non-interference in the affairs of the Palestinian family by any outside party and President Asad stands on the other side announcing his support for the independence of Palestinian decision-making and rejection of any attempt at interference in Palestinian affairs...

If 'Arafat is working on different levels to restore the legitimate rights of the Palestinian people and their right to self-determination and to establish a Palestinian state on "any foot of occupied land that is liberated" which the Syrian president asserts that his country will spare no effort to achieve these goals...

If all this is so, then what do the two sides have to dispute about?

No one knows the true state of affairs despite all that has been said, written and rumored. "If you want to know about Mecca, ask a Meccan."

At any rate, although the Saudi government wants to restore Damascus' relations with 'Arafat to their previous, positive level and to unite the efforts of both parties to confront the main enemy by creating a solid common ground of serious and "sincere" work at the same time it is eager to maintain good relations with Damascus and with the PLO as well.

More precisely, Saudi Arabia wants to be the "Arab home," place of refuge for any Arab whenever "a cloud appears in the sky." It is a policy that the kingdom has pursued and maintained since the days of its founder King 'Abd-al-'Aziz, may God have mercy upon him! True, this policy brings Arab troubles to Saudi Arabia but, as King Fahd bin 'Abd al-'Aziz once said, "This is our fate and this is our policy. We will not stand with an Arab against an Arab no matter what it may cost us.

What did Prince Salman mean when he said he was a "supporter of Abu 'Ammar?" He meant support for the Palestinian cause as long as the Palestinians

regard Abu 'Ammar as a symbol of their revolution and the leader of their march to liberation.

Saudi Arabia is a supporter of the Arab cause by the testimony of all the Arabs. Perhaps the best proof of that is what the financial committee announced at the Amman meeting, namely, Saudi Arabia is the "only country" that has not for one day abandoned its commitments to the Palestinian cause.

The kingdom's Arab and international prestige and its good relations with Damascus suggest that possibility of success for its efforts. However, this does not mean we can be absolutely certain that success is guaranteed.

Riyadh's contacts with Damascus and the PLO are still continuing. An announcement of the beginning of mediation--officially--depends on whether the response of both Damascus and the PLO will be positive.

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CSO: 4404/138

SAUDI ARABIA

CONTINUING DECLINE IN ASIAN WORK FORCE NOTED

London AL-HAWADITH in Arabic No 1468, 21 Dec 84 p 53

[Text] Last year the foreign work force in Saudi Arabia decreased by 10 percent and this year it is expected to shrink further because of the slowdown in building due both to the near completion of infrastructure projects in the kingdom and to the policy of rationalizing government outlays resulting from the simultaneous decline in oil revenues and production levels.

This year Saudi Arabia faced a budget deficit of \$20 billion that it proceeded to cover from its reserves.

Statistics of the Saudi Ministry of Labor showed that it issued 669,448 work permits last year compared with 736,137 in 1982. The decline in work permits was greatest in the western region where they decreased by 20 percent to 171,452 while the largest number of foreign workers remained in the region, despite the drop in number of permits issued to 232,210, i.e., a decline of 11.6 percent below the previous year's figures [sentence as published].

Most of the foreign workers in Saudi Arabia are Asians. They constitute 47.9 percent of the total foreign manpower while the number of Arab workers declined from 41.6 to 21 percent between 1982 and 1983. It is striking that the number of European and American workers rose 18 percent between 1982 and 1983 despite the fact that their total number among foreign workers is still small, no more than 6.6 percent.

The largest number of permits was given to workers in the Saudi industrial sector (462,525) or 44 percent of all the permits issued in 1983. Meanwhile, the number of permits given to workers in the service sector and the educational field dropped from 81,063 in 1982 to 29,535 in 1983, that is, by 63.5 percent. With respect to nationality, North Yemenis form the largest group of workers in the kingdom (650,000), followed by Egyptians (450,000) and Filipinos (400,000). A total of 10,322 Saudis entered the labor market in 1983, that is, a decline of 5.3 percent below the 1982 figure.

The shrinkage of job opportunities in the Gulf states is disturbing the Asian countries that export workers. Pakistani Minister of Planning and Development Dr Mahbubul Haq announced that his government is unable to arrange

matters for the steadily increasing number of Pakistanis returning from the Gulf states. Remittances from Pakistani workers in 1983-1984 declined 4 percent below the 1982-1983 level and they are below the rate of average growth estimated in the Pakistani 5-year plan at 10 percent per year. In addition, Pakistani workers returning from the Gulf suffer from the unavailability of wages and jobs equal to what they earned in the Gulf.

The anxiety of the Asian worker-exporting countries has reached the point they have started calling for a conference to be held in Manila in January 1985 "to study and approve a unified strategy to protect the effectiveness of manpower exporting, which brings in millions of dollars.

Filippino Minister of Labor Blas Ople is organizing the conference. The most prominent item placed on the agenda is the matter of some countries that export workers to the Middle East have resorted to lowering the levels of wages demanded for their workers in order to compete with other Asian countries and monopolize as much as possible the job opportunities still available in the Gulf.

Some Arab states have shown sympathy for the burdens that have begun to fall on the Asian states because of the mass return of their workers from the Middle East. Both Saudi Arabia and the United Arab Emirates offered to finance a number of investment projects in these countries on the condition that workers returning from Saudi Arabia and the Emirates work in them.

5214

CSO: 4404/138

AFGHANISTAN

SOVIETS REPORTEDLY PLAN BIG ASSAULT AGAINST REBELS

Tehran TEHRAN TIMES in English 9 Jan 85 pp 1, 2

[Text] (DISPATCHES)--10,000 Soviet troops have been rushed to Afghan's border, while officials reported that Afghan aircraft dropped two bombs Sunday on Pakistani territory.

More than 10,000 Soviet troops have been rushed to Afghanistan's borders with Pakistan and Iran in apparent preparation for a major assault on Afghan rebels, Western diplomatic sources said yesterday.

At least 7,000 soldiers have been sent to the Western Herat Province, the area bordering Pakistan, said the diplomats, who under briefing rules may not be identified by name or nationality.

Soviet troops and Afghan government forces have reportedly managed to take over two vital approach routes to the Panjsher Valley, a rebel stronghold in northern Afghanistan, in a further drive to blockade the guerillas led by insurgent chief Ahmed Shah Masoud.

The Soviet troops seized the Alingar and Alisheng approach routes, south and west of Panjsher, according to the diplomats' report.

The diplomats said the rebels were left with only one escape route, in Barikot, east of Panjsher, and that if that route was also surrounded by Soviet forces the rebels might be in serious trouble.

The Panjsher Valley controls important supply routes linking the Afghan capital of Kabul with the Soviet Union.

The diplomats reported recent sporadic fighting in the Panjsher Valley, but said an abundant supply of food and fuel in Kabul indicated that the Soviets were controlling much of it.

The diplomats reported that the Herat rebels assassinated at least 22 Afghan intelligence officials, and killed more than 110 Soviet and Afghan soldiers in skirmishes.

In retaliation for one rebel attack, Soviet forces reportedly bombed the city of Herat, killing close to 100 civilians and destroying many shops and houses, the diplomats reported.

The Soviets also were continuing to seal off the guerillas access to Pakistan, carrying out air attacks to deprive them of their supplies of weapons and food.

Meanwhile, Afghan aircraft dropped two bombs and several rockets on Pakistani territory over the weekend, officials said Monday, warning that Afghanistan was on a "dangerous and provocative course of escalating tension" in the region.

A foreign office spokesman said no casualties or heavy damage resulted when four Afghan planes flew over Arandu Sunday, dropping two bombs and firing several rockets.

Arandu is close to Barikot, a Soviet military post, which has been under siege by the Afghan resistance forces for the past several months.

The spokesman said Pakistan lodged a "strong protest with the Kabul authorities through the Afghan Charge D'Affaires in Islamabad Monday morning.

Pakistan once again advised Afghanistan to cease its "aggressive actions which were posing a serious danger to peace and stability in the region," the spokesman added.

CSO: 4600/217

AFGHANISTAN

REBELS REPORTEDLY INFLICT LOSSES ON SOVIET, AFGHAN FORCES

Tehran TEHRAN TIMES in English 7 Jan 85 p 1

[Text]

BIRJAND, Iran (Dispatches) — Hundreds of Afghan-Soviet troops were killed and the government siege of Sherafat-Kuh is broken. Babrak Karmel offers concessions to solicit volunteers for depleting troops.

Hundreds of combined Afghan government and Soviet troops were killed and or wounded in fierce battles between the Mujahideen and government troops near the town of Farah in Afghanistan culminating in the breaking of a government siege of Sherafat-Kuh near the town this week.

Two helicopters of the government forces were also reportedly downed by the Mujahideen during the battle in the same area.

In the wake of the battle many Afghan government soldiers surrendered themselves to the Mujahideen groups along with their weapons.

Six members of the Mujahideen were also martyred during the operations.

A report from Pakistan says the Soviet-backed Babrak Karmel regime in Afghanistan decided Saturday to offer a concessional two-year military service to anyone volunteering to join the armed forces.

The state-owned Radio

Kabul reported, in a Pushtu-language newscast which monitored in Islamabad, the proposal for a two-year concessional military service was made by President Babrak Karmel at the meeting of the Politbureau of the Peoples Democratic Party of Afghanistan, the Afghan equivalent of the Communist Party.

The Politbureau approved the proposal, the newscast added.

But for those who are drafted, the government's nonscription plan will continue to demand a normal three-year period for conscripts, plus a three-year reserve duty.

The new concessions confirm recent Western diplomatic reports from Kabul that the regime is finding it extremely hard to get hold of conscripts or people for reserve duties.

Part of the reason is that most Afghans, according to these sources, do not support

the Soviet-backed regime and do not want to fight against Islamic insurgents who are struggling to drive an estimated 140,000 Soviets out of their homeland.

The regime's army, which was estimated at 85,000 in 1979, just before the Soviets intervened in that land-locked, West Asian country, has declined to around 30,000 to 35,000 according to Western military sources.

A large number of the Afghan troops have either defected and joined the insurgent ranks or were killed during the fighting, now in its sixth year.

But Western diplomats here say the regime may find it quite difficult to find any volunteers even under the concessional two-year term of service because of the public's opposition to the Soviet occupation of their homeland and to the Karmel regime.

AFGHANISTAN

RESISTANCE MARKS ANNIVERSARY BY ROCKET ATTACKS ON KABUL

Tehran KAYHAN INTERNATIONAL in English 31 Dec 84 pp 1-2

[Text] ISLAMABAD, Dec. 30 (Dispatches)--Afghan guerrillas eluded tight security to bombard Kabul with rockets on at least five successive nights last week to mark the fifth anniversary of the Soviet military intervention there, Western diplomats said today.

Despite a steady security buildup in the weeks preceding the December 27 anniversary, Muslim revolutionaries started hitting Soviet and Afghan military installations with 107mm rockets on Christmas eve, the diplomats told journalists in Pakistan.

The attacks continued until at least Friday night, claiming one life, damaging a school and a mosque and setting a warehouse on fire, they said.

Guerrillas based in Peshawar quoted initial reports from couriers as saying more than a dozen Afghan and Soviet soldiers were killed in the attacks, an annual feature of the deadlocked war between the Muslim resistance and the Soviet-backed Kabul government.

The guerrillas said there had been plans for more attacks but they would only know about their success or failure when the Mujahideen sent in recrossed the mountainous and snowy terrain back to Pakistan.

Troop Airlift

Moscow airlifted about 40,000 troops into Kabul in late December 1979 to prop up a faltering Communist government and now has an estimated 115,000 soldiers in the country.

The diplomats said security preparations for the anniversary began weeks ago as Soviet and Afghan units were called back to the capital and surveillance flights picked up.

In a rare glimpse at official statistics on Communist losses, they quoted unnamed official sources as saying 17 Soviet and 46 Afghan soldiers were killed in Kabul in November. Nine Khad secret police and 52 Afghan militiamen were killed.

Despite the precautions, guerrillas fired at least 16 rockets on mortar bombs into Kabul on December 26, hitting the elegant Shahid Shamshera Mosque and a school and setting a paper warehouse on fire, the diplomats said.

An Afghan teacher was killed on December 25 when a rocket hit his house in Share-Nau, a residential district where many foreigners live. Two days later, witnesses saw rockets flying over Shar-e-Nau and heard tank and machine-gun fire.

Explosions were heard on the nights of December 24 and 28 from Darulaman, where Soviet military headquarters and the Afghan Defense Ministry are located, and the old Bala Hissar Fort where Soviet and Afghan forces are stationed, the diplomats said.

The attacks caused little damage as the Chinese-built rockets apparently did not have very powerful warheads. The diplomats said they proved the resistance could strike in Kabul despite official claims that all was under control there.

Villages Shelled

As part of the security preparations, Soviet artillery units occasionally shelled the outlying villages from which the rockets are usually fired. Soviet and Afghan roadblocks tightened checks on people entering or leaving the city.

About 20 helicopters and several spotter planes hovered over the Kabul area last week to try to detect Mujahideen closing in for more accurate attacks, the guerrillas said.

They said guerrillas also rocketed Mikrorayon, a housing complex in eastern Kabul favored by Soviet advisers and Afghan Communist officials. This could not be independently confirmed.

The official statistics quoted by the diplomats put Kabul's wounded in November, not an especially active month, at 22 Soviet and 87 Afghan soldiers.

One commander, Abdul Haq later told reporters from Peshawar that one of his groups blocked the main highway leading south to Kandahar on December 27 and destroyed two tanks and several trucks trying to reach the capital.

The diplomats also reported heavy fighting in the Panjsher Valley north of Kabul, a former Mujahideen stronghold where guerrillas are besieging an Afghan army garrison.

They cited unconfirmed reports of more than 400 Afghan soldiers killed there since December 3.

CSO: 4600/213

AFGHANISTAN

ARTICLE SUGGESTS PRICE CONTROL FOR DECENT LIVING STANDARD

Kabul ANIS in Dari 10 Dec 84 p 2

[Text] The question of price controls as a means of preventing a drop in the standard of living of the people is an important one. For this reason the revolutionary party and government have regularly devoted their attention to the problem and have adopted decisions within the realm of the possible. Nevertheless extensive public participation is needed in the effort to control prices.

It is evident that the multi-system nature of our economy in which the private sector is dominant and plays a determining role in such things as the retail merchandise trade, on the one hand cannot insure a reliable check on prices without permanent, effective and over-all price controls. On the other hand effective price controls by a limited number of municipal inspectors and other government offices is impossible because such inspectors cannot be everywhere and the possibility exists that they could be corrupted by scalpers, hoarders and profiteers in various ways. In order to overcome this problem, tried public price controls must be resorted to, with people who stand to benefit directly from such controls playing a valuable and effective role in preventing profiteering, hoarding, excessive profit-seeking and trickery. It was not an accident therefore when at a recent meeting of the PDPA Central Committee Politburo, Babrak Karmal, general secretary of the PDPA Central Committee and chairman of Revolutionary Council of the DRA stated: Effective measures must be taken nationwide to create a public system of control over the prices of essential goods.

Needless to say, the possibility of using public price controls in resolving various problems of social life, including the prevention of profiteering, hoarding, smuggling and price-gouging butcheries is one of the superior advantages of our new order of the people. The revolution has insured the participation of the people in the economic, social and political life of the country and now each day determines specific ways and methods for such participation.

The revolutionary party and government, alongside its goal of insuring the people's participation in the solution of social and economic problems, an attitude which springs from the public-appeal nature of the popular, democratic and magnificent Sawr Revolution, including its appeal to the public to

participate in price control efforts, has also initiated other measures in this regard. One such initiative which will in due course have a fitting and important effect on control of prices is the constant strengthening and improvement of the public sector in the retail trade. Government shops catering to essential and other needs of the people are increasing in number constantly, with the quality of their operation improving regularly. The creation of the Retail Trade Department as part of the Ministry of Commerce is one of the initiatives taken to improve the operation of government shops. At the same time, the permanent attention of the party and the government is focused on the expansion of consumer cooperatives whose role as suppliers of consumer goods has a positive effect on prices to the advantage of the people, an expansion which will go a long way in ousting profiteering shopkeepers, hoarders and smugglers from the market place and stabilizing prices. The abovementioned cooperatives which are improving their material and technical capabilities with the selfless help given by the USSR and other friendly socialist countries, will in the future become a telling instrument in relations between urban and rural areas and in stabilizing prices in society.

Babrak Karmal, general secretary of the PDPA and chairman of the DRA Revolutionary Council said in this connection: Now that we have established an extensive network of agricultural cooperatives, the Federation of Agricultural Cooperatives must serve the people by buying surplus farm products of cooperatives and farmers and making them available to the public through cooperative shops. The aim of the initiative by the party and government for controlling prices is merely to insure the welfare and comfort of all fellow citizens. The aim is that no one should be allowed to take advantage of revolutionary conditions to worsen the poverty, misfortune and privation of the people in order to fill their pockets. Nonetheless, the activities of the private sector--shopkeepers, merchants, traders, and industrialists--whose work and activities contribute to the expansion of the national economy, continue to receive support, encouragement and help according to policy of the party and the fundamental principles of the DRA.

Another undertaking of our revolutionary party and government which has been in force for many years despite budgetary limitations and other problems has been the subsidizing the essential goods and services needed by the people. Each year millions of afghani are allocated for this purpose, making available at subsidized prices such items as oil products, sugar, urban bus transport, coal, firewood, electricity and drinking water.

The important point is that in following the strategy of price controls and the supply of essential public needs, the revolutionary party and government take all such goods into consideration. The expansion of productive resources, upping the result of work, and in consequence a rapid increase in per capita national product, are the goals which in turn require the creativity as well as the tireless and fundamental efforts of our honorable fellow-citizens. A comparison of planning charts during revolutionary years, particularly in regard to basic productive goods, show that despite the evil activities of savage antirevolutionaries great successes have been achieved along these lines. Doubtless, with the crushing of the infiltrated antirevolutionary bands in the future, even greater successes will be achieved by the revolutionary party and government to the benefit of all the people of the country.

IRAN

CLANDESTINE RADIO REVIEWS REGIME'S FINANCIAL PROBLEMS

GF151330 (Clandestine) Radio Nejat-e Iran in Persian 1630 GMT 14 Jan 85

[Unattributed commentary]

[Text] The Mullahs regime is continuously printing paper money. The paper is worthless without backing and merely there to meet the daily expenses of the war fronts and the domestic market.

Recently an international economist said that the financial situation in Iran is so confused and erratic that foreign banks are trying to avoid making any long-term trade agreements with the Tehran regime. If this continues, the situation will be so bad that the people of Iran will have to use gold, silver, and precious stones for their daily commercial activities. It is possible that one day they will have to buy a piece of bread with a gold coin.

The enormous loans that Musavi's government is taking from the Central Bank will lead this bank to bankruptcy in the near future. Income from production is nonexistent because not only has industrial production been destroyed but also agriculture--as a fundamental and encompassing source of production which traditionally is the foundation for our agricultural-based economy--has also been totally destroyed.

The tax situation is another sad story. The prime minister of the Mullah's regime has recently revealed the secrets behind the battle in trying to collect taxes from the merchants and bazaaries. Mir Hoseyn Musavi frankly said that the bazaaries are asking the regime for repayment of their costs for Khomeyni's revolution. They not only refuse to accept price controls and an end to hoarding but will not pay any taxes either.

In another meeting the prime minister admitted that the import of commercial goods is of two types. One is government-imported goods. Taxing these or putting surcharges on them is like passing money from one hand to the other. The other goods are imported by merchants who are themselves stronger than the government and who will not pay a rial in taxes and rely on the power of the ruling mullahs. Therefore, the problem is obvious. They are stuck with trying to collect taxes and providing general expenses. It can only pressure the people, government employees and factory workers. The main pressure to collect taxes is placed on the weak and unable shoulders of the middle class families in Iran. They pay taxes on salaries and surcharges on gasoline. As "help to the war fronts," they collect taxes from the small salaries of workers. The essential goods needed by the people are taxed in order to provide the enormous expenses for luxurious

living conditions of the newly rich mullahs. An example of this is the 15 million tumans of expenses for their special armed security guards.

If the people of Iran were more familiar with these facts then maybe one day they will come to realize that in order to get rid of the most lowly section of the Iranian society, they should rise in revolt and resist more strongly and sooner in order to eradicate the decadence of the mullahs from their sad lives.

CSO: 4640/280

IRAN

CLANDESTINE RADIO REPORTS EXECUTION OF MOJAHEDIN LEADER

GF161748 (Clandestine) Free Voice of Iran in Persian 1500 GMT 16 Jan 85

[Excerpt] According to a Free Voice of Iran correspondent, Mehran Sadeqi, one of the leaders of the Mojahedin-e Khalq organization, was executed at Evin Prison in Tehran last Sunday. Before his execution, he was put on television so that he could publicly confess to having killed and tortured several revolution guards.

Any confessions by the accused on television usually have little legal value as in most cases they are obtained after torture by the revolution guards. Whatever is asked of the accused, he must answer correctly on television.

The Mojahedin-e Khalq Organization confirmed the execution of Mehran Sadeqi and said that his blood will be avenged by the blood of the leaders of the Islamic Republic.

The displeasure of our people against the anti-national regime of the clerics has been increasing. According to reports from Free Voice of Iran correspondents, public unrest by the Iranian people in various parts of the country has reached unprecedented proportions. Therefore, the regime has executed one of the opponents of the regime, Mehran Sadeqi, to terrify the people.

CSO: 4640/279

IRAN

BEIRUT PRAYER LEADERS URGE JIHAD, ISLAMIC REVOLUTION

LD122104 Tehran Domestic Service in Persian 1630 GMT 12 Jan 85

[Excerpts] The preachers and Friday prayer leaders, in their prayer sermons yesterday, praised the continuous struggle for Muslims against arrogance and Zionism and called for Jihad and for the participation of all Muslims in the war of justice against injustice, and considered that the present Islamic resistance in south Lebanon which is being conducted against the infidel, is one of the facets of the Islamic Revolution.

According to a Central News Unit report from Beirut, one of the ulema of Jabal al-'Amil, while glorifying the Islamic Revolution of Iran in the Friday prayer sermons of yesterday held in the Imam Mahdi mosque in the southern suburbs of Beirut, stated: The Islamic Revolution in Lebanon is, in reality, the continuation of the Islamic Revolution in Iran, since the Lebanese people have based their revolution on the principle which the heroic people of Iran began. He added: The revolution of the Muslims of Lebanon, just like the Islamic Revolution of Iran, is rooted in the leadership of the great Imam Khomeyni.

Shaykh Muhammad Mahdi Shams al-Din, in the Friday prayer sermons yesterday delivered in the Safa mosque in the west of Beirut, stated: The era of confrontation with arrogance has begun and we must, by reviving the question of Jihad for the sake of God, rise up to confront the hegemony of neocolonialism and of its agent, the Zionist regime, since the ideal of Palestine is, in principle, an Islamic ideal. Continuing his speech, he considered that the migration of Ethiopian Jews to occupied Palestine is a move against Muslims and stated: We shall not remain silent in the face of this issue.

Shaykh Sa'id Sha'ban, in his sermon in one of the mosques of Tripoli in the north of Lebanon, also called for the establishment of an Islamic government to replace the present system in Lebanon, and stated: Muslims cannot relate to a nationalistic establishment since Islam, in addition to establishing justice and equality, makes God, the Blessed and Almighty, the master and guide over all individuals and human beings.

CSO: 4640/278

IRAN

EDITORIAL MAINTAINS OPEC DESTRUCTION PLOTTED VIA OWN MEMBERS

Tehran KAYHAN INTERNATIONAL in English 1 Jan 85 p 2

[Editorial]

[Text] It is a matter for regret that we must rebuke some reactionary regimes for their role in reducing the OPEC price for oil by \$5 a barrel. The question raised is from whom were they taking orders.

The curtain was pulled off this incident when former Kuwaiti oil chieftain Abdul Rahman Atiqi revealed in the Kuwaiti newspaper Al Quabas during the course of an interview that the present oil market situation is a result of a plan charted out by former U.S. Secretary of State Henry Kissinger. The plan sought the destruction of OPEC. The Kuwaiti oil minister added in the interview that although the OPEC members knew of this, they did nothing to defeat it. The Kuwaiti official's remark in fact reveals the Islamic Republic of Iran and other preogressive OPEC countries' role in exposing this heinous plot.

When Islamic Iran used to criticize Saudi oil kingpin, Zaki Yamani's maneuvers, the oil ministers of the reactionary regimes, as well as the Kuwaiti sheikhs supported Yamani on the plan to cut \$5 a barrel from the prevailing crude oil price in an effort to protect Western interests and oil cartels.

Only after the materialization of the plot does the Kuwaiti official attempt to seek a solution for it. But how can such an evasive solution be attained without the sympathy of OPEC countries, or progress in the face of dependent elements such as the oil ministers of Saudi Arabia and Kuwait?

The former Kuwaiti oil minister says that no action was taken to confront the OPEC destruction plan; whereas the truth is that such action was demanded by the progressive OPEC members, but was put away because of the nonchalance of the Saudi and Kuwaiti palaces and other reactionary regimes.

How can then we shape the neutralization of OPEC's destruction when faced with the roles of Saudi Arabia and Kuwait in this event? How can we talk of this and say nothing about the destructive role, in the form of the oil tanker war, wrought by Saddam and his supporters in the Persian Gulf?

The war against the oil tankers, made possible via modern French weapons in the Persian Gulf and coupled with a reactionary Arab smile, disrupted shipping in the gulf waterways and led the gulf's littoral states to resort to any means to protect their customers who sustain their oil-dependent economies.

Can the former Kuwaiti oil minister elaborate on Kissinger's plan for the destruction of OPEC, and yet turn a blind eye to the Iraqi regime's strategy of attacking oil tankers? Can the role of the American AWACS stationed in Saudi Arabia in tracking the oil tankers be ignored? Can the supportive role of the Kuwaiti and Saudi palaces in the adventure be dismissed? Why do the executors of Kissinger plan want to cover their destructive role in delivering such a blow against the existence of OPEC by openly declaring the conspiracy?

OPEC, with its special position and constitution, is in a position which cannot allow any power from outside the group to threaten to destroy it, or succeed in any of its aims without the help of the group's own members.

OPEC as an organization aimed at attaining the interests of the oil exporting countries cannot fulfil its objectives without the sympathy of member countries and neutralization of plots, some of which were confessed to by Mr. Abdul Rahman Atiqi.

CSO: 4600/212

IRAN

MOSCOW ADVISED TO ADOPT 'WISER APPROACH' TO IRAN'S REVOLUTION

Tehran JOMHURI-YE ESLAMI in Persian 21 Nov 84 p 11

[Text] In the name of God the compassionate, the merciful: Radio Moscow in a commentary broadcast Sunday night in regard to the imminent trial of the traitor members of the dissolved Tudeh Party, announced the explicit and decisive support of the Soviet government for the traitor Tudeh members and strongly condemned the Islamic Republic of Iran's policies in confronting anti-revolutionary groups and conspirators. Radio Moscow in this commentary, broadcast in Persian, and published in the PRAVADA, the official newspaper of the Soviet Communist Party under the title of "The Statement of the Central Committee of the Tudeh Party" called the Islamic Republic of Iran a reactionary and self-centered regime and decisively supported the methods and operations of the Tudeh Party during the years of the victory of the Islamic revolution of Iran. The Radio, in its commentary, explicitly referred to Afzali and the other traitors as heroes, who, under war conditions infiltrated the Islamic Republic of Iran's organs and were spying for their Soviet masters and engaged in subversive activities. Radio Moscow in its abusive broadcast in the name of political commentary, did not satisfy itself with this and in the continuation of its hostile and vindictive broadcast against the Islamic Republic of Iran, demanded that a so-called delegation of lawyers be sent to Iran to investigate the situation of our nation's prisons. The Soviet request to send a so-called delegation of lawyers to Tehran to investigate the prison's conditions and according to Radio Moscow, to study the strangulation and palputation of Iran is proposed at a time when the USSR has suffered the most world condemnation since the interval after the end of World War II, for the continued pressure, suffocation, and suppression against the majority of the people restrained in that country. The contemporary world recognizes the USSR as a country with the greatest atmosphere of fear and terror for the life of the 270 million people imprisoned in the iron blockade of the red army and the most severe methods of police brutality used against them. You could only find such a brutal and dictatorial relationship in the middle ages. The USSR is one of the few countries where Muslims, Christians, Jews, and all the minorities and even some of the tribal, religious, and racial majorities has each in some way been sacrificed by the communist strangulation of the ruling party. Today, 67 years after the revolution which had promised freedom of expression and opinion to the Soviets, still contrary to all principles, human values, and international laws, the extensive forced labor camps and unpaid work centers which are the dirtiest form of exploitation of a nation are operating in various centers of the country, among them Siberia,

Kazan, Caucasian, and others. Thousands of defenseless people, because they have rejected communist ideology, have been led to servitude. What kind of answer does Radio Moscow have for world public opinion which asks: "What is the Red army justification for the occupation of Afghanistan and the general massacre of Afghan freedom fighters?" We hope that the Soviet government leaders permit their so-called delegation of lawyers, before visiting Iran to first visit the inside of that country and see closely the dungeons, forced labor camps, and czarist torture places and present their report for the judgment of the world's public opinion so that the nation's of the world, especially the eastern bloc, realize the nature of the slimy ground that they are plunged in. So much for the better if Moscow would approve that the observers from international organizations whom always visit the prisons of the Islamic Republic of Iran would once prepare a report from the expression of the displeased Soviet people. The important point that could be extracted from the Radio Moscow commentary is the explicit and evident Soviet support for the traitors of the Tudeh Party and their attack on the nation's judicial organizations; isn't this clear interference in the national affairs of the Islamic Republic? Does this interference agree with the Soviet rulers claims which call their government a democratic government? Definitely Moscow does not have any answers to these evident questions. Therefore isn't it better for the Kremlin residents to order their propaganda apparatus to adopt a wiser approach to a nation's revolution?

9815

CSO: 4640/176

IRAN

TABRIZ RADIO LAMENTS HUNGER, ATTACKS IMPERIALISM

GF171604 Tabriz International Service in Azeri 1800 GMT 16 Jan 85

[Unattributed commentary]

[Excerpts] Dear listeners, here is what Cologne Radio said while citing a newspaper article on 5 January:

According to the decisions adopted by the EEC leaders, a total of 800,000 tons of citrus fruits and 360,000 tons of apples--all produced by Italy--will be destroyed.

The cost of the fruits is DM1 billion. Another DM550 million will be spent for their destruction.

Certain objections have been raised by the citizens of the EEC regarding the destruction of foodstuffs. They have considered the move made by their countries as a painful moral issue. On the other hand, our hungry world has not considered the destruction of foodstuffs as being solely related to fruits and vegetables.

According to the figures disclosed by the International Grain Commission, the demand for grain in the world in 1980 was 1.5 million tons. A total of 600 million tons of grain was either dumped into the oceans or destroyed by fire during the same year. It was said at the time that the measure was taken to hold grain prices steady in the international market.

According to information at hand, millions of live animals are being shot and buried every year. The excuse for that is to prevent meat companies in the world from incurring losses. Meanwhile, the grain exporting countries in the world are Argentina, Australia, Canada, the EEC members, South Africa, and the United States. Apart from grain, which is an important foodstuff, they have also placed the fruit and vegetable markets in the world under their control. As such, these countries play an important part in the economic changes in the world--with inhuman aspirations, of course.

The superficial excuse for destroying the products which are acquired in the world through the effort made by millions of people is to hold prices steady in the bazaar. The truth, however, is that through such disgusting moves, international imperialism wishes to use hunger as a weapon in hand. The U.S. politicians regard the hunger weapon as being more effective than nuclear arms. Pentagon officials have said the following:

Food can be used as a substitute for arms. Taking steps in the required directions, we should use this weapon in accordance with the positions held by destitute countries.

According to figures disclosed by UNICEF, a total of 40 million people die of hunger every year. Most of the hunger victims are children. This is happening at a time when an annual \$600 billion are allocated for manufacturing arms. With that amount of funds it is possible to remove hunger and destitution in the Third World. Yes, the geography of hunger has not been created by nature. The reason for it should be sought in the ugly policies pursued by international imperialism.

The poor peoples of the world must rise to struggle against the ugly conspiracy of the imperialists. Using every opportunity, international imperialism is currently working against the Islamic revolution with a view to preventing it from spreading. However, the truth is that through the Islamic revolution the poor peoples are becoming more and more aware. Their wish at the present time is to break up the exploitationist forces in the world.

CSO: 1831/409

IRAN

MAJLIS DEPUTY INTERVIEWED ON AZARBAIJAN ISSUES

GF131506 Tabriz Domestic Service in Azeri 1530 GMT 8 Jan 85

[Text] In a radio and television interview this afternoon, Hojjat ol-Eslam Musavi, the representative of the people of Tabriz in Majlis, explained the work of the representatives of the people of eastern Azarbayjan's budget for 1364 [1985]. He said that although the people of eastern Azarbayjan make up one-tenth of the population of the country, the budget figure established for the current year ranks 22d when compared with the budgets of the other provinces. He added that this and other matters concerning the province were discussed in a meeting he had with the prime minister and that a decision was reached to the effect that attention has to be focused on this matter with a view to securing the timely materialization of the province's development budget (?for the completion of construction projects) as required by the special conditions existing in the region.

He said that he suggested that the regional handicraft industry be revived with a view to preventing the emigration of peasants to cities and finding employment opportunities for the unemployed. The required facilities should be provided for the peasants in that regard. He added that Prime Minister Musavi supported this suggestion.

Continuing, Mr Seyyed Abulfazl Musavi expressed the hope that, God willing, more attention will be focused on destitute regions. He added that a decision has been reached to channel several million dollars--which will be acquired through barter exchanges with Turkey--toward the development sectors of the province.

He recalled that the national budget plans for the year 1361 [1982] stipulated the construction of factories in Rasht, Esfahan, Mashhad, and Tabriz which would convert garbage into fertilizers. He added that such factories (?have been built) in Rasht and Esfahan and that requests are occasionally being made for the construction of a similar factory in Tabriz next year. In addition, the representatives of the people of Tabriz in Majlis have requested that the serum and pharmaceutical drugs manufacturing factories in Tabriz be operated with a 200 million tuman capital.

Regarding the work on the 180-kilometer-long (?Zarrin Rustan)-Tabriz water supply pipeline project, it has been established that the pipe manufacturing factory in the Dehkhvariyan region undertakes, in addition to its own work, to supply the project with the necessary pipes.

According to plan estimates, the work related to the project for supplying additional water to Tabriz will end in 1371 [1993] and as a result [words indistinct] and 40 towns and villages will start receiving water.

Mr Seyyed Abulfazl Musavi also referred to judiciary problems, and with a view to consolidating the independence of the judicial force, he said the following: Regrettably there is a 40-percent shortage of judges in the judicial department. However, compared with the era of the former regime, working in this force, adhering to the provisions and laws of Islam, and reviewing files in the judicial department has seen a 75-percent improvement.

Regarding heating, Mr Seyyed Abulfazl Musavi said that the shortage of combustibles will be eliminated during the next few weeks.

In concluding, he pointed to the necessity of supporting the country's media publications--noting, however, that laws must be heeded in the field of reporting.

CSO: 1831/410

SRI LANKA

ARTICLE EXAMINES 1985 NATIONAL BUDGET

Colombo SUN in English 5, 6 Dec 84

[Article by Dr. S. W. R. de A. Samarasinghe]

[6 Dec 84 p 6]

[Text] A budget is an estimate of income and expenditure for a future period. Thus, budgets are an essential instrument in the planning and control of financial activity of a business or a nation, or, for that matter, a household.

In countries such as Sri Lanka the national budget which presents estimates of government expenditure and revenue for the forthcoming financial year tend to attract a great deal of public attention and for good reason. The average man in the street has learnt to associate the budget with key economic decisions of the government such as changes in wages and salaries, taxes, subsidies, prices and so forth which directly affect his standard of living.

Public concern has made the budget a document of great political importance especially in the context of a multi-party parliamentary political system. Governments have become highly sensitive to the public and parliamentary reactions to the budget.

Changes in wages, taxes and prices apart, there is another very important reason for paying attention to the government budget. Over the years in Sri Lanka, as well as elsewhere, the government has come to control an increasingly large proportion of the national income through the budget. For example, in 1949, the first full year of Sri Lanka's independence, the government budget accounted for about 23 per cent of that year's national income. In that year the government spent only 23 for every Rs 77 that private business and individuals spent. In 1983, the ratio had risen to 43 per cent.

Under the present UNP regime whose open economy is said to give more scope for private economic decision making, the government expenditure to national income ratio has risen on average, from 30 per cent in 1974-77 to 44 per cent in 1978-83. However, given the stress laid on the private sector in the 1985, budget it is possible that this percentage might decline to something less than 40 per cent.

Budget Objectives

Finance Minister Ronnie de Mel identified three specific medium term objectives.

Accelerating the growth of exports over the medium term;

Managing the economy in the face of fluctuations in export earnings by maintaining reasonable fiscal, monetary and balance of payments stability; and safeguarding the incomes and welfare of the mass of population.

Some of these objectives may well be in conflict with one another. For example, rapid export growth may require a depreciation of the rupee exchange rate which will cause domestic inflation and reduce the real income and welfare of fixed income earners.

Maintenance of fiscal, monetary and balance of payments stability will be assisted by a policy to contain the growth of investment expenditure. That in turn will reduce new job opportunities and possibly undermine mass welfare. These contradictions, of course, are not unique to Sri Lanka, but are problems that any Finance Minister anywhere has to face. The budget strategy (and proposals), then, is designed to strike a balance between these conflicting objectives and that depends on larger economic and political considerations.

Welfare

First, it may be useful to analyse what the Rs. 100 increase in C.O.L actually implies in 'bread and butter' terms. Let us assume an annual rate of inflation of, say, 15 per cent in 1985. This means that prices will be 15 per cent higher at the end of the year when compared to the beginning of the year. Assuming that price increases are spread evenly over the year, in each, month prices will rise only by a little over one percentage point.

Thus, it is clear that those who receive the allowance will enjoy more real purchasing power at the beginning of the year and that it will gradually be eroded as the year progresses. From this it follows that it would be reasonable to assume an average rate of inflation of 7.5 per cent (15 per cent / 2) for the whole year in order to calculate that impact of the additional cost of living allowance on the family budget. Thus, in very crude terms, a wage earner who spends about Rs 1300 per month on consumption will be just compensated by the additional allowance.

There will be a real gain for those who spend less. For those who spend more the additional allowance will not differ full compensation.

Minister de Mel announced that the allowance will be given to all public servants and pensioners who will number about 575,000. The private sector is expected to follow suit and that should benefit another 350,000 workers.

However, it is not yet certain whether the estate employees numbering a little over 500,000 would also receive this allowance. Excluding the estate workers

the 9.25,000 state and private sector employees who would benefit from this award will account for 17 per cent of Sri Lanka's force. Even if we assume that the estate workers were to be given the allowance the number would increase to about 1.5 million or about 25 per cent of the labour force. {

A small minority of private sector junior executives and foremen who pay income tax will benefit from the income tax exemption limit from Rs 18,000 to Rs 24,000 in private sector comparable to those in the state sector and goes some way towards re-establishing the principle that equity requires non-discrimination between income sources.

The proposed review of the food stamp scheme and the additional 'charitable' allowance for the indigent and handicapped raise certain fundamental issues such as what the 'poverty line' in this country is, and the entire question of the need for and feasibility of formulating an old age pension scheme. Mr. de Mel has initiated an official review of the food stamp scheme. It appears that, there is a persuasive case for appointing, say, a Presidential Commission to comprehensively review Sri Lanka's welfare policies and make suitable policy recommendations to cover at least the next 5 to 10 years.

Inflation

Even if the increase in salaries and wages is limited to a minority of the working population, the welfare of the entire community will be affected by the impact of the budget on prices.

The direct impact of the budget proposals on prices will not be very significant. The increase in excise duties and, the 10 per cent increase in the valuation of imports on which BTT is computed will increase prices but their overall impact will not be very significant. The reduction in import tariffs on certain key consumer goods--which was done as a part of the overall tariff reform--will not result in price reductions since BTT on these goods have been raised to maintain revenue. There are some exceptions such as motor cars. These would not benefit the 'average' man. The abolition of import duty on fertilizer and the reduction in BTT on certain consumer goods such as condensed milk and sugar are meant to benefit the local producers and not consumers. Mr. de Mel's strategy on prices in this budget has been to minimise its direct impact. In this respect it is useful to note the respect tant change that is evident in the public's attitude towards prices.

Until recently many people seriously believed that Finance Ministers could reduce prices in general at will. This of course was largely due to the mis-education of the public by politicians of all hues who during elections, invariably promised reductions in prices. Needless to say, this is one promise that is almost impossible to keep and for good economic reasons which cannot be discussed here. Now, however, going by the post budget pre-budget responses or the public in the media, the average person does not expect price reductions: what he does expect is a prevention of price increases. In other words, he expects price stability. Needless to say, this change in public attitude is of considerable political and economic significance and the Finance Minister's strategy to achieve fiscal monetary and balance of payments stability is partly motivated by this factor.

Fiscal Stability

As the Finance Minister correctly pointed out the budget deficit which rose to an unprecedented 23 per cent of the GNP in 1983 has been a source of instability. Budgetary expenditure on the scale implied either caused inflation or, by encouraging imports, widened the trade deficit. It is also true that to some extent budget deficits pre-empt resources from the private sector. However, it is debatable whether, as the Minister asserts, 'budget deficits far from cerating growth and employment lead to economic decline and unemployment in the long run.'

A close analysis suggests that the budget deficits run by successive finance ministers since the late 1950s were an important sources of demand that sustained economic growth in this country. Moreover, even if we examine Mr de Mel's own budgets it is quite clear that if not for the scale of public expenditure he sustained after 1977 this country would have achieved neither the 6.2 per cent annual average GDP growth rate over 1977-82 nor the reduction in unemployment. It is also useful to note that demand generated in the public sector is often a necessary catalyst for private sector activity. For example, the recession in the construction industry in 1981-82 was partly caused by the cuts in construction spending in the public sector.

Mr de Mel notes that in the 1984 fiscal year the budget deficit to GDP ratio will be 9.8 per cent. However, he does not mention what it would be in 1985. We do know that the 1985 estimated overall deficit is Rs 21.5 billion as against Rs 16.8 billion in 1984, an increase of 28 per cent. Assuming an inflation rate of 15 per cent and a real growth rate of 5 per cent to 6 per cent it is likely that GDP in 1985 at current prices will be in the region of Rs 160 billion yielding a budget deficit to GDP ratio of about 13 per cent. Nonetheless, when the sources of finance to bridge the gap are examined it is seen that the Finance Minister has succeeded in creating a certain degree of fiscal stability by totally avoiding recourse to borrowing from the Central Bank and commercial banks. This has been made possible by the availability of foreign aid totalling Rs 14.1 billion (1984, Rs 13.1 billion) and domestic loans totalling Rs 9.1 billion (1984. Rs. 4.4 billion) from the Employees' Provident Fund (EPF), National Savings Bank (NSB) and other non-bank sources. Indeed, Mr de Mel hopes to generate a cash surplus of Rs 1.7 billion out of which Rs 610 million will be set aside for a tea and coconut stabilization fund and the remaining Rs 1.1 billion will be used to retire a part of the domestic public debt.

Monetary Implications

The method of financing the budget deficit set out by the Finance Minister has some interesting monetary and banking implications. The first question which arises concerns the feasibility of raising Rs 9.1 billion from domestic non-bank sources when in 1984 such loans amounted Rs 4.4 billion, and increase of Rs 4.7 billion or 107 per cent. The explanation lies largely in sample turnover of loans. In 1985 no less than Rs 5.1 billion in maturing loans will be repair to domestic lending institutions such as the NSB and EPF. This money then will be reborrowed through the issue of new securities.

The absence of provision for under-expenditure on the capital vote in the 1985 budget is a break with traditional practice in national budgeting in this country. The minister, however, might have done this with good reason. Firstly, under-expenditure in the capital vote on the scale seen in Sri Lanka (14.7 per cent in 1984) reflects poor planning. Secondly, if 1984 experience is any guide supplementary estimates for next year should total around Rs 3.0 billion and that should more or less offset the 'savings' that one could anticipate from under-expenditure in the budgeted capital vote. Moreover, it will also help the Treasury to keep to its financial targets without a major deviation.

[6 Dec 84 p 6]

[Text] It is evident that the budget places tremendous faith in the ability of the private sector (and the state-owned plantations) to invest in the productive sectors in the economy in order to maintain the growth momentum achieved in the past seven years, create new jobs and accelerate export earnings. For example, government capital expenditure in 1985 will amount to Rs 25 billion at current prices. This will be the same as the amount spent in 1984. Once allowance is made for inflation in 1985, government capital expenditure in real terms would be less than in 1984.

Moreover, many of the government capital projects are for infra-structure development and often have a high import content and create only a limited number of jobs.

Indeed, in the last two or three years job creation in the public sector has slowed down sharply. For example, in the two year period 1982-83 an average of only 5000 new jobs were created in the public sector (in 1979 soon after liberalization it was 114,000). But Sri Lanka requires about 125,000 new jobs every year simply to prevent an increase in the number of unemployed. And if the government's medium term target to reduce the rate of unemployment from the current 12 per cent to 50 per cent by the end of the present decade is to be achieved, an additional 100,000 jobs--making a grand total of 225,000--will have to be created every year to reduce the absolute number of unemployed from the present 800,000 or so to about 300,000.

In the export front just to reduce the trade deficit (1983 Rs 20 billion) in half, export earnings will have to increase by about 50 percent in the next three to four years. Hardly any further evidence is necessary to illustrate the magnitude of the task that lies ahead, and the challenge faced by the private sector.

Private Sector

The reduction in income, wealth, gift and dividend taxes will increase the post-tax income of individuals.

The tax holiday and import duty relief to export industries are designed to encourage investment in that sector. The 'regional policy' in the tax structure offers tax relief for those who invest in 'high-unemployment' areas.

Finance

Legislation to establish a systematic stock market in Colombo, is planned. But its impact will be felt only in the medium to long-term, to induce investment.

Of more consequence is the cost and availability of loan finance. In general as a consequence of the budget the cost of bank loan funds should decline provided two conditions are satisfied. First, the interest rates on NSB deposits must remain changed relative to those paid by the commercial banks. If the NSB interest rates move up relative to bank rates--such an increase, though a slight one, is a possibility in order to mobilize funds for the government--the commercial banks will lose some of their lividity.

Second, and more importantly, the Central Bank will have to relax its monetary policy. However, for several reasons, the bank is bound to take a cautious view. Firstly, it will be keen to prevent a sharp increase in imports, which could happen if bank credit becomes freely available in the context of import duty reductions affected by the budget.

Second by the Central Bank will equally be concerned about domestic inflation which, the Finance Minister hopes, will be down to 12 per cent by the end of 1984. It can be claimed quite legitimately that the budget (i.e. fiscal policy) has made its contribution to keep inflation under control next year.

Thus, the actual out turn with respect to inflation will depend very much on three other factors, viz domestic food production, the exchange rate and monetary policy. Of these, the first domestic food production will depend, given government agricultural policy, on the weather conditions. If conditions are normal we can anticipate a further expansion in food output. Thus, the two key policy variables that would affect inflation and growth in 1985 would be monetary policy and exchange rate policy.

Monetary policy refers to action taken by the Central Bank to regulate the amount of money and credit in the economy. By doing so the bank would hope to control inflation as well as the inflow of imports.

The achievement of both these objectives will be vitally important for the bank, because failure will weaken its case against a depreciation of the rupee. Thus, one could expect the bank to tighten commercial bank liquidity and keep bank credit and the money supply in check. It is likely to continue to rely on some process of credit rationing with the help of the various credit schemes to give loans on concessionary terms to the priority sectors.

In this respect as in the past, both the lending institutions as well as the borrowers will be confronted with two problems. One concerns the availability of developmental loan funds for capital investment either in new projects or to expand existing projects, and to assist certain special sectors such as domestic agriculture. The other concerns the cost of funds for working capital in existing enterprises, especially in manufacturing.

As regards developmental loans the general opinion is that in principle, there are sufficient facilities in terms of ordinary bank credit as well as special loan schemes--for the agriculture sector alone there are about 25 such schemes -- to meet the requirements of the investors. However there is also a belief that they do not function as efficiently as they should. The banks generally assert that the problem is a shortage of viable projects. For example, it is pointed out that a large number of SMI II loan applications have to be refused because they are for projects in areas such as garments, construction material and printing where the markets are saturated. If so, the challenge for the private sector is to present viable and well planned projects in new fields.

However, some feel that the reasons for the weaknesses of the credit facilities for development can be traced back to the commercial banks themselves who are more adept at short-term commercial lending than long term developmental lending. The evidence on this question is mixed. To begin with, whatever faults notwithstanding, the fact is that the local commercial banks, especially the two state banks, have made a major contribution to agricultural and industrial credit.

The Finance Minister's proposal in the budget to establish Regional Rural Development Banks--an idea first mooted in the 1984 budget speech--is an attempt to recognise some of the above constraints and find a solution to rural credit problems outside the traditional banking system. In principle this proposal has much to commend. It is evident that lending to medium and small rural enterprises will help combat poverty and unemployment with modest capital outlays and simple technology. Such ventures also have the merit of producing goods and services--e.g. food household requisites, repair services--which satisfy the basic needs of the community.

However, one word of caution needs to be sounded. Trained and efficient manpower is required to run any financial institution successfully, even if they were to undertake 'barefoot' banking. Indeed, for such an institution, for two reasons, the manpower required will be even greater than for a conventional commercial bank, both in terms of quantity and quality. First, it will have to administer a large number of relatively small loans. Second, the nature of lending will demand that the banker be also a project evaluator, financial, management and market adviser and many other things besides, all rolled into one. It is not easy to find bankers with all these qualities and it takes time to train new people. Moreover when new institutions attract personnel from the old--something which happened on a significant scale after 1978 when the foreign banks came in--the available talent is spread too thinly, thereby weakening management allround, at least in the short run.

The second issue we raised concerns the cost of loan funds required as working capital. Manufacturers, export manufacturers in particular, have been complaining about the high cost of bank credit in a situation where they have had to operate on narrow profit margins. It appears that they cannot expect much relief in 1985 other than, perhaps, a marginal decrease in interest rates.

Exchange Rate

For exporters and those in the tourist trade there is an issue even more important than interest rates to which the budget provided no answer. That is the question of the exchange rate on which the Minister's reference in the budget speech was limited to the recognition of the need for a flexible exchange rate policy to promote exports.

It appears that the Finance Minister wanted to handle the exchange rate issue separately outside the budget. By doing so he can focus public attention on the more positive and popular aspects of the budget. However, it is reasonable to expect some depreciation of the rupee in the coming months at least to correct for the anomaly mentioned above. This of course would make it that much harder to achieve price stability, and it is almost certain that we would not see single digit inflation even in 1985.

Limitations

Finally, the question must be raised concerning the limitations of the annual national budget as an instrument of economic management. In this country, and perhaps elsewhere also budgets have come to capture the imagination of the public, partly due to the massive attention given to them by the media. This in a sense, tends to exaggerate the importance of the budget. In reality budget decisions are often modified or even radically changed or abandoned in the light of economic changes that take place in the course of the year which were not anticipated at the time the budget was drafted.

Indeed, in some countries such as the UK this process has been systematised through the introduction of 'mini' budgets inbetween main budgets. This is a sensible economic management practice in today's rapidly changing conditions. It gives the Finance Minister an opportunity to review performance mid-way, systematically incorporate any necessary changes (e.g. supplementary votes) into the main budget and allow parliament to have a comprehensive mid-year discussion of economic policy. Perhaps this is a practice that Sri Lanka too should adopt.

The other point that needs to be made relating to the limitations of the budget concerns policies which lie outside the sphere of finance. The budget deals with matters concerning finance which is just one aspect of economic management and, indeed, in some instances may not even be the most important. To take one example, in almost every budget that Mr. de Mel has presented and the 1985 budget is no exception, generous financial incentives and provisions were made to revitalise the tree crop export sector. However, up to now the results have been disappointing and one cannot be certain whether massive outlays for this sector proposed in the 1985 budget would yield the expected results. The main problem, it appears, lies in weak management of state-owned estates and remedial measures in this sphere are beyond the scope of the budget.

In conclusion this budget can be characterised as one which has attempted to strike a balance between, welfare stability and growth. Its direct impact on

the improvement of welfare of the poorer sections of the community is limited to Rs 100 cost of living allowance and a possible upward revision in food-stamps. In addition, by stressing fiscal discipline to achieve price stability the Minister is hoping to protect real incomes from the ravages of inflation. However, in the broader terms, in keeping with this government's general strategy, this budget also places much greater reliances on improving the economic conditions of the poor through job creation.

From the government's view point this strategy yielded satisfactory results, both economically and politically, in its first six years of rule. However, in this respect, between 1978-83 there were several factors which worked in its favour. The most important among them were the under-utilised capacity in industry that it inherited in 1977 and the run-down state of some key sectors --transport, construction etc.--of the economy. Both permitted the quick creation of a large number of new jobs over 1978-80, but these no longer hold true. In addition the mid-east job market and the replacement of repatriated Indian labour with local labour also helped but here too there is an evident slow down. Thus, job creation in the next six years will pose a far greater challenge.

The coming on stream of Mahaveli projects--power and irrigation--import substitution in sugar dairy products and subsidiary foods will work in the government's favour. However, these, by themselves, will not be sufficient to reach the job target. It is there that the government has decided to place its faith, and probably its own political future, in the hands of the private sector. It will be interesting to watch how the latter would respond to this challenge in the next few years.

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