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# Near East/North Africa Report

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4 November 1982

## NEAR EAST/NORTH AFRICA REPORT

No. 2654

## CONTENTS

## INTER-ARAB AFFAIRS

PLO's at-Tarazi Reviews Middle East Situation (Zuhdi Labib at-Tarazi Interview; EL PAIS, 3 Oct 82) .	1
PLO Emerges From Controversy as 'Cohesive Body' (KUNA, 16 Oct 82) .....	5
Monte Carlo Interviews PLO's Khalid al-Fahum (Khalid al-Fahum Interview; Radio Monte Carlo, 8 Oct 82)	6
Visiting Palestinians Hide To Avoid Return to Lebanon (HA'ARETZ, 14 Oct 82) .....	8
Palestine Broadcast on Amnesty for Palestinians (Damascus Domestic Service, 17 Oct 82) .....	9
Briefs	
PLO Broadcasting on Cairo VOP	10

## PERSIAN GULF AFFAIRS

Effect of Oil Output Drop on Local Economies Reviewed (Ziyad Taqi; IQTISAD WA AL-A'MAL, Aug-Sep 82) .....	11
--	----

## IRAN

Exile Weekly Comments on Recent Developments (IRAN PRESS SERVICE, 7 Oct 82) .....	17
Real Offensive May Still Be Coming	
Economic Blockade Seen Hurting Education	
Iran May Be Returning to West	
Kurds Forming New Front	
Nateq-Nuri Blamed for Bombings	
Destination of Oil Money Questioned	

Iran Clandestine Says Bazargan's Arrest Imminent (Free Voice of Iran, 9 Oct 82) .....	27
<b>Briefs</b>	
Envoy to Albania .....	28
<b>JORDAN</b>	
Daily Calls for Egypt's Return to Arab Fold (Amman Domestic Service, 25 Oct 82) .....	29
Amman Radio Assails Syria's Arab Policy (Amman Domestic Service, 14 Oct 82) .....	31
<b>Briefs</b>	
Deported Mayor Offered Post .....	33
<b>KUWAIT</b>	
Kuwaiti Paper Assails Soviet Presence in Afghanistan (KUNA, 17 Oct 82) .....	34
Kuwaiti Paper Views Soviet Role in Middle East (KUNA, 16 Oct 82) .....	36
Kuwait Daily on Expected Settlement of Gulf War (AL-HADAF, 22 Oct 82) .....	37
Light Metals Industry Executive Describes State of Industry (Muhammad 'Ali Naqi Interview; AL-IQTISAD WA AL-A'MAL, Aug-Sep 82) .....	38
<b>Briefs</b>	
Kuwait-USSR TV Exchange .....	42
<b>SAUDI ARABIA</b>	
Riyadh Comments on U.S.-Arab Committee Talks (Hashim Abdu Hashim; Riyadh Domestic Service, 21 Oct 82)	43
<b>SYRIA</b>	
Economics Society Presents Study of Nation's Foreign Trade (Faruq al-Tamam; AL-NASHRAH AL-IQTISADIYAH AL-'ARABIYAH, Sep 82) .....	45

INTER-ARAB AFFAIRS

PLO'S AT-TARAZI REVIEWS MIDDLE EAST SITUATION

PM081301 Madrid EL PAIS in Spanish 3 Oct 82 pp 10-11

[Interview granted by Zuhdi Labib at-Tarazi, PLO permanent observer to the United Nations, to "R.E."; date and place of interview not specified]

[Text] Question: Looking at the recent Arab league summit in Fes, one has the impression that the invasion of Lebanon and the PLO's withdrawal from Beirut have prompted an unprecedented demonstration of Arab solidarity with the Palestinian cause. How do you explain this?

Answer: Allow me to remind you that the recent meeting in Fes was the continuation of the conference that began last November, that is, before the invasion. Even at that time we realized that at least a tendency was emerging among the Arabs to consider not only the ideological elements but also the practical aspects of Realpolitik, so perhaps the invasion of Lebanon and also, I believe, our action in Beirut--the impossibility which the Israelis encountered of taking West Beirut by storm, owing to the resistance of the Palestinians and of the Lebanese nationalist movement--provided us with a much firmer basis for attending the Fes summit. Also, the Arabs had adopted a more realistic stance and their support could not continue to be implicit, but had to be manifested publicly.

Question: Over the past year the impression has been that the moderate sectors of the PLO and even 'Arafat himself were virtually prepared to recognize Israel's right to exist, but that the more hardline sector, composed of combatants directly involved in the fighting, opposed this concession. What can you say in this regard?

Answer: Well, I believe there was a misunderstanding here. In 1974, 1977, 1979 and 1981 our national council referred to an independent Palestinian authority in whichever territories were liberated; then we talked about our own state in the territories from which Israel would withdraw. Well, as the liberation movement that we are, I do not believe that it is up to us to recognize the existence of a state. What I mean is that this is an issue to be dealt with at the state level, not at the level of a national liberation movement. Furthermore, I would point out that in May 1978 'Arafat granted an interview to the NEW YORK TIMES and said that there was only one solution: That the two superpowers and the international community give guarantees to both states. The conclusion is obvious.... But, as a liberation movement, we have no reason to recognize anyone.

## Spain's Responsibility

Question: Do you believe that there is any realistic possibility of reconciling the Arab league plan with the Reagan administration's plan?

Answer: Well, I believe that there is always a possibility and that there is always a suitable forum for such negotiation. However, in order to negotiate, the first thing you need to know is what you are negotiating for, what you are negotiating and who is negotiating. Since there is virtually international consensus on the fact that the Palestinians have their own entity and their own representative, it is fundamental that the Palestinians' recognized representative attend these negotiations. Frankly, we believe that those who still express doubts or uncertainties about who represents the Palestinians are the ones who have no intention of bringing us to the negotiating table.

We also believe that this is the most opportune moment for the [presumably Security] Council to act. Spain is now one of its members and this undoubtedly implies a responsibility, inasmuch as it should make efforts in this direction and not allow anything to be done outside the Security Council. Our fear is that if something happens outside the Security Council, such as the Camp David accords, in the long term it will prove much more counterproductive for us.

The Camp David agreements brought us an invasion of Lebanon in 1980 and another in 1982, which brought the Israelis as far as Beirut, an exacerbation of the repression in the occupied territories.... They have taken us much further from peace. The repression in the occupied territories increased to such an extent that the elected mayors were expelled, then a military governor was appointed, and later a civilian governor responsible for the military authorities; well, even that hardline governor has resigned as a result of the massacre in the camps, because he could not accept it. If the Security Council had been intervening, it could have used its powers and stopped the massacre, but since everything was being done outside the Council, the United Nations had its hands tied and could do nothing.

Question: Let us now consider the most hard-line Israeli sectors' claim that there is already a Palestinian state, from the demographic viewpoint, and that that is Jordan. What comments do you have to make on the possibility of a Palestinian-Jordanian federation?

Answer: Look, some time ago, there was a conglomeration which was called South America.... Only a few years ago, there were only a few African states, and now there are about 50. A few years ago, people spoke only of Africa, and the map was there, without demarcations.... It is not only a matter of ignorance; there is something more. Transjordan was never under the administration of Palestine during the British mandate. It is very important that people know that at that time, when somebody in Jerusalem wished to visit Amman, not only a passport but also a visa was needed. There are no grounds for saying that France is Belgium because you can pass from one to the other without a passport, or that the United States and Canada are the same. Historically, Transjordan and Palestine were two different entities, I am from Jerusalem, I am a Palestinian, I always have been a Palestinian, I still keep

my Palestinian passport, and in it it says "Palestine," and speaks of Palestinian citizenship. There have always been Palestinians; the fact that there was an Ottoman Empire which covered the whole Arab world means nothing.... There was an administration, there were high commissioners, there was a mandate. France had a mandate over Syria and Lebanon, so, if the same argument had been applied, Lebanon might not have existed; Syria could have occupied the two countries' territory. That argument serves only to confuse matters and to distort history.

Question: What is your opinion of the Reagan plan for the Near East?

Answer: It has some positive aspects. The U.S. administration should have explained its interpretation of UN Security Council Resolution 242 long ago. This demands Israel's withdrawal from all the territories occupied in 1967, so that if you wish to speak of Resolution 242, everything possible must be done to make Israel withdraw from those territories. Resolution 242 does not mean security for Israel alone but security for everybody. It is the Israeli military presence in the occupied Arab territories which constitutes a threat to the Arab states' security; it is the invasion of Lebanon by the Israelis which constitutes a threat to Lebanon's security. That is, Resolution 242 concerns Israel more than the Arab countries. There is something which the world perhaps does not know. In 1978 the United States announced in the General Assembly that Resolution 242 did not involve the political dimension of the issue of Palestine. Our question is: Does not the United States believe that it is vital to involve the political dimension: When Reagan made his statement, he emphasized that Resolution 242 demanded Israel's withdrawal, but he seemed to forget that the issue is not one of geography, that it is human beings who are at stake, nor is there any reference in his statement to the aspirations of over 2 million Palestinians expelled from their homes. It is not a problem of a kilometer toward the east or toward the west. I repeat: The real problem is those human beings' aspirations and faith. What is going to be done with them? Reagan completely forgot to mention them, and that is his proposal's greatest weakness.

Recognition of Israel

Question: Returning to the issue of recognition of Israel, you have said that this no more than a smoke screen, something which lacks substance....

Answer: If that is so, would it not be possible to have recourse to that political realism to which you were referring earlier and agree to the formal recognition of the Jewish state which the United States is asking of you in order to regard you as valid interlocutors, thus placing Washington against the wall?

Answer: Precisely, precisely, precisely. If we did so, if we said that they have a right to exist, we would immediately have to define where they can exist. Should we recognize that right in return for the Palestinians' extinction, or would that right be linked to the Palestinians' right to exist in their homeland? So if the United States declares that it recognizes the Palestinians' right and that it will ensure that that can exercise it living in peace in their homeland, there is no problem on our part: Very well, let

Israel exist. But if I were asked to recognize Israel's right to exist at the cost of depriving my people of their homes, I would not do so.

Question: On the one hand, the events in Lebanon seem to have turned into a real political victory for 'Arafat; on the other, a considerable proportion of the PLO guerrillas have found themselves dispersed throughout the Arab world. To what extent could the two factors influence the PLO's political stance?

Answer: If the invasion of Lebanon, the massacres, the invasion of West Beirut and the decision to withdraw our armed forces from Beirut have demonstrated anything, it is undoubtedly the unity of all Palestinians and their solidarity with the PLO. When they mustered to defend Beirut and to defend themselves, everybody rallied to the defense: As soon as it was decided to withdraw the armed forces, everybody left and withdrew the forces. Well now, our success--I would not say "victory" but "success"--in preventing the Israelis from eliminating us physically, increased our political strength, and this was reflected at the Fes summit. There we were, we irregulars, we refugees: With a minimum amount of arms we succeeded in warding off 120,000 Israeli troops, when other armies with their respective air forces have been unable to uphold a just cause, and that is why we could not hold out behind our guns, because we were defending our justice, and, as far as we are concerned, the foremost just cause is our survival and our lives. We were successful, and that also taught the Arabs a lesson.

Question: The massacre in the Sabra and Shatila camps has shocked world public opinion. Do you believe that a change of attitude has occurred as a result of these events?

Answer: I believe that the Israeli reaction is even more important. In Israel, the man in the street, who has been brought up on the bad memories of the holocaust, has seen with his own eyes that his children are perpetrating similar acts against the Palestinians. And that is a salutary shock for the Israelis. In my opinion, the most important thing is what is happening there.... Those tens of thousands of Israelis taking part in demonstrations against the government at last restore my faith in human nature. However, they are blaming Sharon or Begin, and in this respect I would say they are mistaken, because those crimes were committed as a result of a decision of the Israeli cabinet; it is a matter of collective responsibility. The decision to invade West Beirut came from the Israeli cabinet; they knew that they were going to invade Beirut and there was going to be a massacre. That is what the U.S. Government should admit; that the responsibility is not solely Sharon's, that the whole government is responsible for those criminal actions. Nevertheless, we believe that the news media have changed their tune and that, although it cannot be said that they support our cause, at least they are presenting the facts in a way which is causing the Americans, for instance, to see a story different from what they have been told over the last 35 years. I am certain of it because of the abundant mail which I am receiving. There are people who write to me: We supported Israel because you were pigs, forgive me, but you were pigs, you were murderers, but now we have seen what happened in Beirut. We were mistaken, forgive us, we ask you to accept our sympathy.

CSO: 4400/43

INTER-ARAB AFFAIRS

PLO EMERGES FROM CONTROVERSY AS 'COHESIVE BODY'

LD162030 Kuwait KUNA in English 1606 GMT 16 Oct 82

[Text] Tunis, 16 Oct (KUNA)—The Palestine Liberation Organisation has emerged afresh as a cohesive body following the denial by five of its groups that they denounced the talks between the PLO chairman Yasser 'Arafat and King Husayn of Jordan on possible confederation AL-SABAH daily said Saturday.

The denial, the paper went on, had foiled attempts that were aimed at splitting the Palestinian resistance and "taming it" as to use the organisation to fulfill marginal and individual interests. The paper, however, did not refer to any Arab party as responsible for such attempts.

The reference nonetheless is understood to be to Syria's claim last week that the PLO chairman had not right to hold such talks on confederation with Jordan without the approval of all the Palestinian commando groups. In the wake of Arafat-King Husayn talks, Syria claimed that three Palestinian groups denounced 'Arafat's move.

The paper went on to say all the Arabs can rest assured that the Palestinian revolution will continue to pursue the same policy "which is, undoubtedly, the only road that will lead to the restoration of the rights of the Arab nation, or at least part of these rights for the time being."

CSO: 4400/43

INTER-ARAB AFFAIRS

MONTE CARLO INTERVIEWS PLO'S KHALID AL-FAHUM

JN082105 Monte Carlo Radio Monte Carlo in Arabic 1800 GMT 8 Oct 82

[Telephone interview given by Palestine National Council Chairman Khalid al-Fahum to Monte Carlo Radio's Damascus correspondent Louis Faris and carried within "It Happened Tomorrow" weekly program--date not given; recorded]

[Text] [Question] Mr Khalid al-Fahum: What is your stand on U.S. President Reagan's Middle East peace plan? Also, what is your stand on the possible conclusion of an agreement between you and King Husayn within the context of the U.S. plan?

[Answer] First, Reagan's plan is better than any of the plans or proposals submitted by previous U.S. Presidents. This plan, however, is absolutely not enough for finding a just solution to the Palestinian problem. This is because Reagan's plan ignores the role of the PLO as a sole and legitimate representative of the Palestinian people and ignores the basic right of our Palestinian people to set up their independent state in Palestine and to determine their future like any other people in the world. Therefore, I can say that Reagan's plan, which touched on the question of withdrawal and stressed the need for withdrawal, is absolutely not enough and contravenes the Arab peace plan which was recently approved at the Fes summit. This is because the rights of the Palestinian people are clear, represented by the Israeli withdrawal and by our right to return, to determine our future and set up our independent state. President Reagan has ignored all the rights of the Palestinian people and has only dealt with one subject in an ambiguous manner, namely the withdrawal. This subject was even not clear in the plan as regarding the complete withdrawal from all the occupied Palestinian and Arab territories.

As for the second part of the question, I can say that the PLO, as well as all the Arab leaders, has affirmed that the Palestinian people have a sole and legitimate representative, the PLO. This organization is made up of every Palestinian wherever he may live, be it inside or outside the occupied territories. I can say that the agreement with the Arab leaders and regimes should give priority to the Israeli withdrawal, which is the most important topic. We must all work together, without any differences, to ensure the Israeli withdrawal from the occupied Palestinian territories. Our Palestinian people will later enjoy the rights which are enjoyed by all the world's peoples,

namely, the right to return, the right to self-determination and the right to set up the independent Palestinian state.

Therefore, the first stage is the withdrawal; the second stage is setting up our state and independent institutions. The Palestinian people are educated, they are strugglers and they have the right to own their institutions like any other people. After an independent state has been established, it must work to achieve unified steps not only with Jordan but also with any other Arab state. This should take place during the third stage, namely after the withdrawal and after the establishment of our Palestinian institutions which would confirm our character, foremost among which is our right to self-determination and to set up our independent state. The talk about unity, be it federation or confederation, should follow that. We must not discuss this question before the withdrawal. The withdrawal is the most important topic now and it should have top priority.

CSO: 4400/43

INTER-ARAB AFFAIRS

VISITING PALESTINIANS HIDE TO AVOID RETURN TO LEBANON

TA141539 Tel Aviv HA'ARETZ in Hebrew 14 Oct 82 p 3

[Text] Dozens of Palestinian refugees from Lebanon who came to visit Israel, with visiting permits from the IDF, disappeared at the end of their stay and are refusing to return to Lebanon because they fear phalangist actions against them.

Mr Ya'ir (Feuer), a general staff officer in charge of internal affairs, confirmed this in a conversation with Na'if Khuri, a Voice of Israel Arab correspondent. He said that dozens of people had not returned and had not renewed their permits, adding that about 400 people were entering Israel from Lebanon every week and these people were receiving their permits from the IDF in Lebanon or from the Ministry of the Interior in Israel. This is making it difficult to determine exactly the number of people coming and going.

The correspondent interviewed several of these refugees, who said that they would prefer to be arrested and stay in prison in Israel than return to Lebanon where they are exposed to danger.

CSO: 4400/43

INTER-ARAB AFFAIRS

PALESTINE BROADCAST ON AMNESTY FOR PALESTINIANS

JN172045 Damascus Domestic Service in Arabic 1630 GMT 17 Oct 82

[Palestine broadcast: "Talk of the Return" by 'Abd al-Rahman Ghunaym]

[Text] Brothers on the road to revolution and liberation.

Amnesty lists containing hundreds and even thousands of names have been issued one after another. Suddenly we discover that many of those who fought in South Lebanon and Beirut against the Israeli invaders had been wanted by the Arab reactionaries who regarded them as outlaws rather than respected revolutionaries. What has caused the change of opinion and these great amnesty lists? Is it the pity for those who have been dispersed by the Israeli invasion of Lebanon? A fighter will remain a fighter whether in a trench in Tyre or the Beaufort Castle or in any other place where he can entrench himself. Thus, the fighter is not in need of anyone's pity. Is it an expression of sudden love for these fighters following their heroic steadfastness? This is not the first battle in which these fighters have shown heroic steadfastness. The names of these fighters were placed on the "wanted" lists when they confronted the attempts of the reactionaries to kill them and frustrated their attempt to list them in the casualty lists.

There must, therefore, be a secret behind these amnesty lists. This secret is in fact an open secret because those who know the reactionary methods of fighting the Palestinian revolution also know when the black lists are issued and when the amnesty decisions are made. The reactionaries' short-term aim is exploiting the results of the invasion of Lebanon so as to strip the Palestinian revolution of its fighters. Otherwise, what use are the amnesty lists and the evils which will come out of them? Was it not better to issue an alternative decision allowing the Palestinian cadres and forces to be stationed freely wherever they wish? Is it not better to issue a decision abrogating all decisions of banning, hunting and harrassment which were directed against the Palestinian revolution rather than individual fighters?

To relieve the fighters as individuals and ignore the right of the revolution to exist, fight and exercise its role of struggle is an attempt to deprive the revolution of its fighters within a well-planned scheme aimed at destroying the revolution. It does not mean a retreat from the antirevolutionary, hostile and conspiratorial policy against the revolution. The amnesty lists are a link in the attempts to end the military role of the PLO and its fighting factions and not a support for the PLO and its factions to help them face the post-invasion developments.

CSO: 4400/43

INTER-ARAB AFFAIRS

BRIEFS

PLO BROADCASTING ON CAIRO VOP--PLO members have been incorporated in the last few days in the "Voice of Palestine" Radio Station broadcasting from Cairo. The station's programs have changed in the last few days, and they currently include commentaries highly critical of Israel. Yesterday's broadcast said that "the Palestinians should expect nothing good from Israel, either from its leaders or individuals." In a commentary in a Palestinian dialect, commentator (al-Shawwa) said that "a Palestinian girl in the Shatila Camp was spared and left alive in order to serve as living proof of the fact that the Israelis bombed her home, arrested and expelled her family and slaughtered her neighbors." [Excerpt] [TA151650 Tel Aviv HA'ARETZ in Hebrew 15 Oct 82 p 2]

CSO: 4400/43

EFFECT OF OIL OUTPUT DROP ON LOCAL ECONOMIES REVIEWED

Beirut IQTISAD WA AL-A'MAL in Arabic No 40, Aug-Sep 82 pp 36-38

[Article by Dr Ziyad Taqi: "What Is the Effect of the Gulf Oil Revenue Drop on Spending and Investment?"]

[Text] Whether it is likely that the oil recession will continue or will let up wholly or partially in the future, the consequences of the drop in oil prices and the decline in oil production have basically had their effect, and will have profound results, in the next 2 years at least, on various aspects of financial and investment activity in the Gulf countries, especially spending policies, government investment patterns and private sector trends and revenues, especially those of the banking and financial sectors.

In this study, Dr Ziyad Taqi reviews the most important anticipated transformations and repercussions.

The latest drop in oil prices has had a direct effect on the foreign assets of many countries in the world, especially the oil-producing ones. The surplus in the latter's current account balance was a basic element in world money markets, and the expected drop in this surplus in the current year and the coming year, 1983, will have a profound effect on the flow of capital in the world and the activity of financial institutions which are active in regional and international financial markets.

This article has the goal of analyzing the latest estimates of the surplus in the OPEC countries' current account balance, the actual state of the financial channels through which the surplus has been flowing in recent years, then the effect of the drop in oil revenues on the economies of the main Gulf producing states and the activity of the regional financial markets.

The Volume of the Current Account Surplus

OPEC's total surplus in 1980 came to about \$105 billion, of which about \$96 billion could be attributed to the Arab member countries of the organization. Of this Arab surplus, the share of the four Gulf countries -- Saudi Arabia, Kuwait, the United Arab Emirates and Qatar -- was about \$72 billion. The OPEC states' net surplus for 1981 is estimated at about \$60 billion. The Gulf countries have recorded a surplus of about \$74.2 billion, while the other OPEC countries, Arab and non-Arab, have recorded a deficit, thus reducing the overall surplus to about \$60 billion.

It is expected that the Gulf oil-producing countries will experience a surplus of about \$27.4 billion during the current year while the other OPEC countries record a current accounts deficit; this will result in the appearance of an overall deficit estimated at about \$5 billion at least.

The overall surplus or deficit situation in 1982 will depend on total oil exports on the one hand and on the rate of increase of imports on the other. It is also expected that OPEC's total deficit will come to \$5 billion, based on estimated revenues from oil exports of about 17.5 million barrels a day at a price of \$34 a barrel and a rate of growth of imports of 5 percent. Countries with great absorptive capacity like Nigeria, Iraq and Iran will face a large current accounts balance deficit which will have to be financed through borrowing, further borrowing and disbursements from foreign reserves, as well as reduced imports and spending on nonessential development projects. Countries with low absorptive capacities, such as Libya and Venezuela, will, in addition to probably recording a noticeable drop in their revenues for this year, be compelled to disburse a portion of their reserves and borrow from the international markets, but not to the extent that will obtain in countries with a high absorptive capacity.

Table One: Estimates of Oil Producing Country Surpluses (in billions of dollars)

	1980	1981 (estimated)	1982 (forecast)
Saudi Arabia	40	43	15
Kuwait	17	13.2	4
The emirates	10	14	6.4
Qatar	5	4	3
Total, Gulf countries	72	74.2	27.4
Iraq	10.8	-6.2	-7
Algeria	0.2	-2	-3
Libya	13	2.8	-4
Total	96	69	13.4
Other OPEC countries	9	-9	-18.4
Total, OPEC	105	60	-5
Countries outside OPEC	0	4.5	-7
Total, all oil-producing countries	105	64.5	-12

As far as 1983 goes, it is expected that oil demand will gradually regain some of its vigor as a consequence of slow expansion in production by industrial countries. It is expected that OPEC's oil exports will range from 18 to 20 million barrels a day while the real prices of the oil remain at their current level, that is, about \$34 a barrel. It is anticipated that the overall balance of trade surplus will come to about \$13 billion but might drop below that if OPEC imports demonstrate a lack of flexibility and the governments concerned are not able to put pressure on domestic spending and development and defense requirements.

#### The Structural Nature of OPEC Investments

Table Two [not given] shows the breakdown of OPEC investments in the past 4 years. From this, it is apparent that the OPEC member countries increased their investments in bonds with specific rates of interest as well as other investments in the form of stocks at the end of 1981. It is also to be noted that a transformation occurred in the third quarter of 1981 in the distribution of bank deposits, since some of these were shifted from American markets to the Euro-market in London. This transformation reflects the OPEC countries' orientation toward investing its money in the form of short-term bank deposits to be ready to use if pressure is put on the balance of payments, and as a sort of reserve for circumstances which are characterized by a lack of clear vision in world oil markets.

#### Effect of the Oil Situation on the Gulf Oil Countries

Available estimates for 1982 and 1983 indicate that the main Gulf oil-producing countries will be the most important, if not the only, group to record a balance of trade surplus. As Table One shows, this surplus could reach \$27.4 billion; it is expected that that will find its way, in the form of investments, to the world money markets. In spite of the significance of the figure, it is worth noting that the Gulf oil countries' surplus for the present year accounts for only 37 percent of the 1980 and 1981 figure. The effect of the drop in oil revenues on each individual Gulf country can be summarized as follows:

##### 1. Saudi Arabia

Execution of the 5-year development plan, whose costs have been estimated at about \$236 billion, will require that the rate of oil production not be below 7.5 million barrels a day, assuming that the per barrel price remains at its current level.

It is worth pointing out that the kingdom's budget for the 1982-83 period presupposed a balance of revenues and expenditures of about 313.4 billion Saudi riyals (\$91 billion), or 5 percent more than the 1981-82 budget. Recent official statements assert that the rate of growth of the economy will remain below 10 percent and that the rate of growth of money in circulation will range from 20 to 23 percent this year. It is not anticipated that the monetary authorities will exercise any form of intervention in banking sector activities with the goal of limiting the financial institutions' freedom to transfer money abroad.

The authorities will continue to be disposed to maintaining brisk competition among Saudi banks and the other banks situated in Bahrain or other neighboring markets.

## 2. Kuwait

Kuwait sharply reduced its oil production in the second half of 1981 and the first quarter of 1982. It recorded an estimated current account surplus that could come to about \$13.2 billion, or a large percentage below that of 1981, which totalled \$17 billion [sic]. If the rate of oil production of 700,000 barrels a day is retained this year, the current account surplus could come to \$4 billion. In any event, the drop in oil revenues has compelled the government to make provisions for a budget deficit of 313 million Kuwaiti dinars (\$1.1 billion) for the fiscal year 1982-83. This is the first time Kuwait has recorded a budget deficit since the oil embargo of 1973. Anticipated spending is estimated at \$12.3 billion and total revenues at about \$11.2 billion, as compared with \$18.5 billion in the 1981-82 budget. The revenue estimate does not include about \$7.5 billion which is expected to be collected through foreign investments.

The fact is that the perceptible drop in oil revenues is prompting the Kuwaiti government to review its spending programs and seek other sources of income, such as taxes and customs duties. Since government spending is the basic motive force of economic activity, a reduction in the volume of this spending will have a direct effect on liquidity in the markets and the availability of the money needed to finance stock market activities, in addition to international activities, in addition to international activities in the securities field.

## 3. The United Arab Emirates

The emirates' draft budget for the fiscal year 1982-83 presupposes a deficit of \$628 million. This is the first time the government has approved a deficit budget since 1971, that is, since the establishment of the state. More importantly, estimated budget expenses will come to about \$7 billion, or 20 percent less than the figure recorded the past year. Revenues from oil and gas exports in 1981 dropped 5.3 percent, totalling \$19 billion as compared with \$21.2 billion in 1980, due to a drop in oil production to 1.5 million barrels a day, a drop of close to 11.6 percent. The Federal Council, with the objective of remedying the financial difficulties that have arisen, has authorized a series of measures, including the establishment of a special committee to study planning for the future, investigating more than one formula for increasing efficiency, creating additional incomes, and drastically reducing spending on foreign aid, which will drop from its stipulated level of \$3.8 billion to \$1.6 billion. As regards the banking sector, the Central Bank has decided to increase compulsory reserves on foreign loans from 15 to 30 percent. The goal in this step is to retain the level of liquidity in the local market.

## 4. Qatar

Oil production in Qatar last year came to 410,000 barrels a day, a drop of 14 percent relative to 1980. Qatar accepted this drop within the context of the OPEC resolutions and its production dropped by 300,000 barrels a day, the highest

percentage of total production among organization members. However, it is believed that the new production level will be sufficient to maintain a specific current account surplus and will not have a negative effect on development programs, gas field development projects and infrastructure projects; in addition to that, Qatar has significant foreign investments which produce substantial incomes.

### Expectations

The drop in oil revenues will have a profound effect on the patterns of capital flow and the activity of various types of financial institutions that are active in the regional and international contexts.

In the regional contest, as a consequence of the drop in oil revenues, one may observe the following trends:

1. The four main Gulf Cooperation Council oil producing countries will witness a continuing current accounts balance surplus in spite of the drop in oil production and the decline in exports.
2. The countries that have foreign investments abroad (Saudi Arabia, Kuwait and Qatar) will be in a relatively better financial situation since the revenues from their investments will make up for a large portion of lost oil export revenues.
3. The drop in oil revenues will have a positive effect as far as certain Gulf countries go, since it has become apparent to officials at various levels and to local consumers that reliance on a single export commodity and the maintenance of a budget with a character of enlarged spending is something that cannot continue for a long time. It has also been proved that financial strictness, increased productivity and the reduction of waste are matters one can no longer ignore.
4. It will be incumbent on the Gulf countries' financial organizations gradually to acclimatize themselves to a drop in oil revenues. The steps to limit spending which have been authorized by the fiscal authorities will lead to a drop in the flow of money to the private sector and consequently a drop in the growth rate of commercial bank deposits.
5. Financial organizations operating on a local or regional basis will be subjected to further oversight and investigation by monetary authorities, which will strive to maintain adequate rates of liquidity within the banking and financial system through further restrictions aimed at isolating the local market from foreign factors that might disrupt its equilibrium.
6. It is expected that a change will occur in government investment patterns in local and financial markets. The reduction of the surplus will lead to a drop in the flow of money from the Gulf area to the main money markets, and a consequent reduction in the role of the area as a major source of financial surpluses. In addition, various investments will be concentrated on short-term instruments in the money market and in the area of bank deposits, especially

since there is a dominant feeling that the recession in the world oil markets will continue during 1983. In addition, there will be a retrenchment in foreign aid and a preferential flow of Arab money to areas with important political yields for the Gulf countries in particular and the Arab cause in general.

7. The drop in the level of economic activity, in the midst of a climate of increasing restrictions and limited liquidity, will have a negative effect on the profits of financial institutions functioning in the area. It will be very difficult to reach the record levels recorded last year. In addition, the role of Arab financial institutions in international money markets will be less prominent than the role they played the last 3 years.

8. One must consider the next 2 or 3 years a period of retrenchment for financial institutions functioning in the area, in the course of which it is anticipated that these organizations will make a better derermination and deeper investigation of their goals and policies with respect to the development of financial resources through borrowing operations and other activities.

11887

CSO: 4404/18

## EXILE WEEKLY COMMENTS ON RECENT DEVELOPMENTS

## Real Offensive May Still Be Coming

London IRAN PRESS SERVICE in English No 91, 7 Oct 82 pp 1-2

[Text] As signs grew this week that the Iranian armed forces had been thrown back again by the Iraqis and a heavy new casualty list would be the result conjecture over the future of the regime in Tehran began to intensify. It was felt by many observers inside Iran and out that if foreign press reports of another failure by the armed forces are true the mullahs and the military chiefs will be hard put to provide a satisfactory explanation.

That is unless this attack was merely a preliminary foray and possibly a diversion while the main body of the forces prepares for a big new offensive on the port city of Basra. Intelligence reports say Iran has a big force waiting there. But the Iranian commanders and their mullah bosses must be keenly aware of the fact that they must win this time or they will be forced to sit down and negotiate with Saddam in the absence of any other alternative.

The dilemma of the armed forces is clear, military men point out. They are short of capable and experienced officers, as well as standardised equipment on which to train their troops adequately. Yet they cannot call for help from any of their Arab friends, for while vocal support for Iran by hardline radicals can be tolerated the physical presence of Arab forces engaged in a battle against other Arab soldiers on the side of a non-Arab state could spell the end of the even most callous ruler.

According to exile sources closely in touch with the military situation in Iran, the military chiefs there have relied to a great extent in the present attack on the army's own aerial forces to spearhead the push toward Baghdad. With much improved radar systems to warn of approaching Iraqi aircraft it was hoped to make numerous sorties with helicopters and light planes on Iraqi troop concentrations in a bid to soften their resistance to the Iranian ground forces attack. But the superiority of the Iraqi air force seems to have been such that the effects of the Iranian tactics were quickly neutralised and heavy losses were sustained.

Sources say lack of pilots as well as of planes and spare parts has virtually wiped out the effectiveness of the Iranian air force. The original enthusiasm of the technical and middle grade airmen for the war has faded to a point where they can almost be described as disaffected, the sources say.

Yet Tehran radio claimed earlier in the week that it was the superiority of Iran's air force which was clinching the success of the armed forces in the battle near Mandali. Its reports on action in the area were brief and laconic and the radio gave equal prominence to an account of a hit and run raid on Iraqi positions in another area of the front altogether. It replied to foreign reporters' accounts of a visit to Mandali and the surrounding area, in which they said all was calm and undamaged in the town as proof that Islamic republic guns were never turned on civilian targets. Such statements have usually presaged bad tidings in the past. The radio did not refer to Saddam Hussain's visit to Mandali in midweek.

The subdued reporting of the Mandali battle, contrasting with the euphoric accounts of the war when previous offensives were launched has confirmed to some observers that the mullahs now have misgivings about the result of the offensive. As IPS reported last week, however, the military chiefs have been anxious to get the battle over with, detecting the effects of the recent setbacks on the morale of their men.

The arrival of some new military equipment, including, some reports have suggested, large quantities of arms captured from the PLO by the Israelis and then offered to Iran encouraged them to launch the Mandali offensive, it is said.

But some observers are firmly of the belief that the Mandali offensive is merely a preparatory and diversionary action for a renewed large scale attack elsewhere along the front. They point to the fact that the army's air services were the main kernel of the attacking force as suggesting the main part of the ground forces was being husbanded for an assault elsewhere.

Iraqi forces have claimed they have killed 2,000 Iranians in the Mandali battle so far, the main casualties coming when they counter-attacked in midweek. Iraqi air cover was said by visiting reporters to have been the crucial tool in the Iraqis' success. The lack of Iranian air support for its troops suggests that as a result of the shortage of parts and equipment the Iranian Air Force commanders had decided to concentrate on building up the army's air wing instead. Along with this there is now an improved radar system covering the frontier areas.

Intelligence reports confirm big Iranian troop concentrations near to Basra. But the Iraqis seem confident of defending the port city. In spite of the fanaticism of the waves of voluntary militiamen attacking them in the last battle for the port, in which reporters returning from Iraq to Europe last week estimated the Iranians lost 50,000 men and Iraq half that number, they are convinced their enemy will never be the same again.

The Iraqi military chiefs are said to believe that one more serious defeat can only lead to their opposite numbers being forced into trying to make the mullahs into the scapegoats for their failure. They would certainly be forced to tell Khomeyni the war cannot go on. This could lead to "interesting" events in Tehran, it is suggested.

The United Nations general assembly's unanimous acceptance of an Iraqi motion calling for a cessation of hostilities did not impress Khomeyni or his regime;

nor did a plea from the Saudi royal house and their government to stop the war and talk before 'lurking foreign elements' became involved, with fearful consequences, in the region. Khomeyni said the war would go on until Iran's terms were agreed.

Pakistan's President Zia also announced he was planning a new mediation initiative. Tehran refrained from comment on this.

#### Economic Blockade Seen Hurting Education

London IRAN PRESS SERVICE in English No 91, 7 Oct 82 pp 2-3

[Text] In an effort to cope with accommodating primary school pupils and providing facilities for school-age children the Iranian mullahs have ordered all the kindergartens in the country to be closed down. According to KAYHAN, this year no child below the age of six will be allowed to attend any kind of school. Kindergartens have been closed in order to allocate all resources to children above the age of six. The paper reported that on Sept. 23, when Iranian schools opened, a total of 5.29 million pupils began the school year at 42,817 primary schools. A total of 1.8 million pupils began studies at 8,333 Guidance schools and 929,000 students were enrolled in 2,770 secondary schools.

According to the KAYHAN report the government has this year failed to print school textbooks in time because of the economic sanctions imposed on Iran by the United States and other imperialist countries. The report then adds that the task of revising textbooks left over from the Shah's regime is taking too much time. Even scientific books must be revised to conform to Islamic principles, the paper says.

One other problem according to KAYHAN is to get textbooks to remote parts of the country. With the economic blockade and a shortage of dedicated teachers it is not possible to start the school year on time, KAYHAN reported. One other problem, the paper said, was a shortage of stationery. At the Qods Department store (formerly Korosh) long lines could be seen daily as teenagers and parents queued up to buy notebooks, pens, pencils and other items of stationery. The "economic blockade and war with America" made it difficult to provide sufficient stationery for schoolchildren. If in Tehran there is a shortage of stationery, then in the provinces there must be no stationery available.

Finally there was the problem of revising textbooks, printing them and sending them to the country's 42,817 primary schools, 8,333 guidance schools and 2,770 secondary schools.

KAYHAN said out of 34 textbooks needed for guidance schools only 13 subjects could be revised in time. The whole operation to provide schooling for over 5 million children of school age was a tremendous "feat" which it was possible to tackle "thanks to Islam and the revolutionary zeal of the hezbollahis." Commenting on the KAYHAN report some exile sources said that there were some major discrepancies. One source told ISP that before the revolution there were over 10 million primary, guidance and secondary school pupils. The source believed that the theocratic regime has either had to close down several

thousand primary schools, leaving children without educational facilities, or the KAYHAN reporter has made serious mistakes.

Other exile sources also said that constant reference to economic blockade, citing this as an excuse for shortage of facilities, underlined the breakdown of the administration of the ministry of education under Khomeyni's rule.

#### Iran May Be Returning to West

London IRAN PRESS SERVICE in English No 91, 7 Oct 82 pp 3-5

[Text] The London-based monthly MIDDLE EAST said this week that there were signs the Khomeyni regime is turning back towards the West again. This could also mean the end of its relations with radical Arab states, it said. In its Monitor section the magazine wrote:

"Iran's ambiguous position between East and West seems to be ending with a clear preference for old allies, despite continuing anti-imperialist rhetoric. The past few months have seen deteriorating relations with Moscow and the re-establishment of links with Europe and the United States.

"This could also signal an end to Iran's relations with the radical Arab states. But unlike the Shah, Ayatollah Khomeyni is unlikely to find allies among conservative Arab states to compensate for this. Fears of his revolutionary expansionism have not been allayed by recent Iranian statements that the forthcoming Hajj (pilgrimage to Mecca) should be seen as a 'politicoreligious activity.'

"Moscow's early attempts to win over the Islamic republic have now faltered and it seems resigned to a return to the status quo under the Shah, which in any case had involved strong economic relations.

"The rot set in with Iran's support for the Afghan guerrillas and its attempts to export Islamic revolution to Soviet Muslims. It continued with Tehran's failure to renew gas exports to the southern USSR.

"The increasingly right-wing and religious nature of the regime led Moscow in August to threaten to take Iran off its list of anti-imperialist countries.

"The Khomeyni regime has managed to withstand growing political and economic domestic discontent only by resuming oil sales to the West. This has provided the revenue both to buy arms for the Gulf war and to suppress the increasingly violent internal opposition led by the Mojahedin-e-Khalq. It has also enabled Tehran to boost food imports and so alleviate economic hardship.

"As part of its drive to repair economic relations with the West, in July Iran established a special committee to look into disputes over canceled oil deals. Agreements were quickly reached with Spain and Belgium and talks are underway with the US.

"According to former Iranian President Abol-Hassan Bani-Sadr, the US is now importing a considerable proportion of Iran's total oil exports of two million barrels a day. US firms are also indirectly re-entering the Iranian market, mainly through Turkey, with which Iran is developing strong ties.

"The Iran National Oil Company has approached a Turkish firm, Industri Tesisative Mesemati (ITM), to rebuild the Abadan refinery. ITM is linked to the main Turkish engineering companies, Ubin and Gemas. Together they represent 44 American firms, including M.W. Kellogg, which designs and builds refineries.

"Europe never cut relations with Iran to the same extent as the US and these are again being developed. An Italian consortium and a Dutch consulting firm have been approached to complete construction of the Bandar Abbas oil terminal at an estimated cost of some \$1.5 bn.

"West Germany is now going ahead with completing a half-finished nuclear power plant at Bushehr, put under wraps in January 1979. Trade with Bonn increased by 33 percent in 1981, although it is still only half of what it was under the Shah. Iran has also bought some 25 percent of each of the two major West German firms, Krupp Stahl and Deutsche Babcock.

"A temporary break in diplomatic relations last April, when Bonn deported some pro-Khomeyni Iranians for attacking Iranian student supporters of the Mojahedin, has not affected this trend.

"France is also moving to establish links with the Iranian regime, despite the exile in Paris of the main opposition leaders. To prepare the way, long-standing disputes over cancelled nuclear contracts and Iran's withdrawal from the French-based uranium-enrichment consortium Eurodif have been settled.

"But Iran's relationship with Israel is one of the strongest indications of the move towards the West notwithstanding its public anti-Zionist stance. This link is based on officers in the Iranian army who were trained by Israel under the Shah, but who managed to escape the anti-Shah purges of 1979 and 1980.

"Israel used these channels to supply Iran with considerable quantities of arms before and during the Gulf war. Although Israel says these supplies have now ended, the US newsletter AEROSPACE DAILY reported in August that Israel was selling Iran stocks of arms seized from the PLO in Lebanon.

"Israel claims that it is acting as proxy for the US by helping to strengthen the pro-Western faction in Iran. But its own ambitions also play a part--namely to weaken Iraq and to guarantee some protection for the 40,000 Jews still in Iran. The extent of Israeli-Iranian collusion in the destruction of Iraq's nuclear reactor in June 1980 is not known, but interests clearly coincided on this matter, as Iran had tried to bomb the reactor a few months earlier.

"This and the long-standing links between the main Palestinian group Fatah and the Iranian Mojahedin have severely strained Palestinian-Iranian relations. According to one PLO official, Iran's decision to pursue the Gulf war into

Iraq, after Baghdad had declared a unilateral ceasefire, was deliberately timed to deflect Arab attention from Israel's actions in Lebanon. He described Iran's decision to send volunteers to Lebanon as 'a cosmetic gesture and nothing more.'

"Iran can now count only on Libya as an ally among the Arab states. Syria's decision to attend the Fes summit meeting is a sign that the days of the Tehran-Damascus axis are numbered. It was never a comfortable relationship.

"Iran had simultaneously developed relations with the Syrian Muslim Brotherhood to ensure continuity of the link at some level, should President Assad fall. According to JEUNE AFRIQUE's telex confidentiel, these links, developed mainly in West Germany, were maintained on the Iranian side through sections of the Revolutionary Guards and the Islamic Fedayeen group.

"In the coming months, therefore, Iran may well find itself out on a limb as far as the Arab world is concerned. And growing links with the West may act as a further brake on its regional activities, since the fate of the new US Middle East initiative will undoubtedly depend to a large extent on how far Washington can win over the Arab states.

"It seems, then, that the Pax Americana extends not just to the Arab world but, directly or indirectly, to the whole of the Middle East region."

Leftist writer Fred Halliday, in an article on Moscow's attitude to events in the Middle East, says they consider the 1921 treaty with Iran valid--this gives the Soviets the right to send troops into Iran if it feels its interests are threatened, they contend.

Halliday wrote:

"The most striking theme to emerge from discussions with Soviet experts is the prominent place given to Iran, Turkey and Afghanistan compared with the Arab states further south.

"The new Soviet ambassador to Iran, V. Boldyrev, one of Moscow's top Middle East experts, faces a formidable task. He served in the Tehran embassy in the 1950's, and was recently head of the Foreign Ministry's Middle East Department. But he will find that Soviet-Iranian relations have deteriorated in the past few months.

"Soviet officials identify two main areas of concern. They fear that a post-Khomeyni civil war in Iran could develop into a US-Soviet confrontation. Their 1921 treaty with Iran is still considered valid, although Iran has renounced it. The treaty gives Moscow the right to send troops into Iran if it feels its own interests are threatened.

"We shall intervene massively and immediately if the Americans get involved," warns one senior official.

"Officials also fear that the policies of the Islamic Republic will in time provoke its own downfall and legitimise a greater American role in the region. Soviet experts seem irritated by the rhetoric coming from Tehran. One academic

complains about two young Iranian delegates who attended a seminar at the Institute of Oriental Studies in Moscow. They lectured the meeting on Khomeyni's slogan "Neither East Nor West," then left without agreeing to answer any questions.

"The Russians see Khomeyni himself as some guarantee that the regime will not go too far to the right, in either domestic or foreign affairs. But the Iranian government's failure to take effective measures to meet the social and economic needs of the poor causes concern.

"Another worrying development is the growing influence of the forces hostile to the Tudeh Party (Iran's pro-Moscow communist party). The Russians particularly resent criticism of their role in Afghanistan. 'The Iranians won't listen,' one exasperated expert reports after a visit to the Islamic Republic."

#### Kurds Forming New Front

London IRAN PRESS SERVICE in English No 91, 7 Oct 82 p 6

[Text] The same magazine, arguably these days the best-informed on the Near East and Middle East region, also sets out in another article some of the tangled skeins of relationships between the Kurdish groups in Iran and Iraq in a way that answers a number of questions. It is now clear that there are groups, strongly opposed to the regimes in both Tehran and Iraq and each is trying to influence the other to adjust their policies to a degree.

Tehran, MIDDLE EAST magazine says, has told the Barzani brothers' Iraqi KDP to concentrate on building up unrest inside Iran instead of fighting alongside the revolutionary guards against Kurdish nationalists in the west of Iran. It said:

"As the Gulf war rumbles on, Kurdish guerrillas in northern Iraq have reasserted their presence in most areas, including the main towns. Several groups have linked up with the Iraqi opposition to form the National Democratic and Patriotic Front (NDPF).

"The front includes the Patriotic Union of Kurdistan (PUK), one of the main Kurdish organisations in Iraq, the Iraqi Communist Party, the pro-Syrian Baathists, the Arab Socialist Movement, the Arab Socialist Party (Nasserites) and the Kurdistan Socialist Party.

"With the Iraqi army preoccupied with the war against Iran, the Kurds have managed to establish effective control of the provinces of Irbil, Kirkuk and Sulaimaniya and the Badinau region. But differences persist between the PUK and the Kurdish Democratic Party (KDP), the oldest Kurdish organisation.

"The Iraqi KDP, led by the Barzani brothers, has been working closely with the Iranian government, fighting alongside the Revolutionary Guards against the Iranian KDP and other groups. It has a large base at Karaj, some 30 miles from Tehran.

"In recent months, however, Iran has directed the Iraqi KDP to turn its attention once more to Iraq in an attempt to destabilise the regime. One Iraqi Kurd commented bitterly that the party seemed to have learnt nothing from past experience.

"In 1975 its alliance with the Shah of Iran was abruptly broken and all support withdrawn, after Tehran had signed a treaty with Iraq on the Shatt al-Arab. 'Khomeyni will do exactly the same if it suits his interests,' the Iraqi Kurd remarked.

"The PUK has been helping and training the Iranian Kurds in their battle against Iranian government forces. It also seems to be gaining ground in Iraq at the KDP's expense and now claims to be the biggest organisation. Other sources, however, dispute this and say the Iraqi KDP is still strong.

"Nevertheless, there are signs that the Barzanis may be backing away from their alliance with Iran in response to the fall in popular support. In early August they signed an agreement with the PUK under which each organisation would allow the other some freedom of action within the regions under its control.

"But the PUK made this conditional on an end to hostilities between the two groups and an end to KDP support for the Iranian government. 'We are still not sure whether they will abide by this,' a PUK spokesman said.

"It is also significant that the only major opposition group not represented in the front is the Iranian-backed Shiite Al-Daawa Party.

"Some support for the front comes from Syria, Libya and South Yemen, but the front denies that this constitutes control. 'Damascus will obviously support us in view of its feud with President Saddam Hussain, but we are well aware of Syrian motives in this and are careful not to be used,' a member of the front noted."

#### Nateq-Nuri Blamed for Bombings

London IRAN PRESS SERVICE in English No 91, 7 Oct 82 pp 7-8

[Text] Armed opponents of the theocratic regime in Iran have accused Mullah Nateq Nouri, minister of interior, and his strong arm deputy Mullah Fallahian of resorting to a new tactic of placing bombs in public thoroughfares and then blaming their political opponents for the resulting casualties.

Irandin, an armed group inside Iran, said in a communique released in Germany that the recent explosions in Tehran were engineered by experts in terror in the pay of Nateq-Nouri.

"The mullahs original plan to turn the population against the freedom fighters did not work, Irandin says in its communique, which was released abroad before the devastating explosion occurred in Tehran's Nasser Khosrow Street last Saturday.

"Khomeyni and his criminal turbaned gunslingers tried their best to create hatred among the ordinary people against freedom fighters like us," the communique went on. "At first Khomeyni tried to say that everybody who was against his regime was Marxist-atheist, belonging to Mujahedin. This was a clever device to play on people's religious and anti-Marxist sentiments. But we were able to prove to the people that we were true lovers of Iran who simply endangered our lives to clean Iran of such dirt as Khomeyni and his gang.

"Then Khomeyni tried to manipulate the people's nationalistic sentiments by maximising his effort to wage war against Iraq. That too failed. Now Khomeyni has given responsibility to crush our resistance to a man like Nateq-Nouri whose record in creating the Shahrivar 17, 1357 (September 8, 1978) massacre has been exposed to the world.

"We want to inform our fellow patriots that in the same way that the mullahs under Khomeyni's robe were able to shoot pregnant women in Jaleh Square to put the blame on our security forces, the same mullahs who murdered 400 Iranians, burning them alive at Cinema Rex of Abadan in order to discredit the Royalist regime, the same people are capable of putting bombs in Tehran's streets to kill innocent people and even some of their own paid hooligans in an effort to turn people against us."

The communique claimed that the Iranian masses supported the armed opponents of Khomeyni, and gave them shelter and assistance. Khomeyni had failed to isolate his enemies, who were determined to erase his mullahocracy. That was why he had called on the murderer Nateq-Nouri to implement his treacherous plans to discredit the freedom fighters.

"Khomeyni will be put in a cage like a dangerous beast," Iradin said. "We will shave his beard and put on him the red cross of the executioners and parade him in the same streets where his agents have killed our dear fellow Iranians."

Leader of the National Movement of Iranian Resistance (NAMIR), Dr Shahpour Bakhtiar and the leader of the Front for Liberation of Iran (FLI), Dr Ali Amini have both held the Khomeyni regime responsible for the recent wave of bomb explosions in Tehran. The two exile leaders have claimed that the bombs which have exploded in Tehran thoroughfares, killing scores of passers-by, were in fact planted by the regime's agents in an attempt to put the blame on the opposition and to further intimidate people.

Earlier, before the latest bomb explosion, the FLI published a statement in Paris in which it said information "received from our supporters inside Iran indicate that the bombs were planted by the regime's agents and that they would go on planting more bombs and instigate more provocative events."

The statement added: "The murderous agents of the regime, whose record of treacherous activities include the setting of Abadan's Cinema Rex on fire in order to exploit it to its advantage, now has seen the secret of its survival in similar methods of killing innocent people and intimidating the whole population."

The FLI further claims that the Khomeyni regime is in need of creating such incidents to maintain a continuous state of tension and turmoil in the country. That was why the regime was sending its hired elements to stir up trouble in Saudi Arabia during the Haj pilgrimage while also going ahead with a devastating war with Iraq which it cannot win and other adventures.

Meanwhile, exile sources in London said that the death toll in the latest explosions on Nasser Khosrow Avenue appeared to be much higher than the figure released by the authorities. They pointed to the fact that since last Friday, when the figure of 60 was officially announced, several hospitals have acknowledged that injured from the explosion had subsequently died. But the authorities have not announced later cases of fatality among the injured.

#### Destination of Oil Money Questioned

London IRAN PRESS SERVICE in English No 91, 7 Oct 82 p 9

[Text] Banking sources are puzzled over the mystery surrounding payment by buyers of Iranian oil to the Iranian banking authorities. The mystery arises because proceeds of Iran's oil sales are paid into an account in Amsterdam, Holland.

A former Iranian banker who was active even after the revolution told IPS: "The proceeds of Iran's oil sold to various buyers do not go to the Ministry of Finance and Bank Markazi (Central Bank) account. There is a Bank Markazi office in Amsterdam which handles the proceeds of oil exports."

Bankers are also astonished by the fact that despite oil exports of over 1.5 million barrels a day, the mullahs' government seem to have a chronic foreign exchange shortage and an inability to meet their commitments. They say the situation has somewhat improved lately and foreign correspondents of Iranian banks are ready to give the mullahs some overdraft facilities; but reports from Tehran indicate there is a tight situation.

In fact, since the mullahs announced an improvement in their oil exports, the food supply situation inside the country has further deteriorated rather than improved.

CSO: 4600/61

## IRAN CLANDESTINE SAYS BAZARGAN'S ARREST IMMINENT

QF091938 (Clandestine) Free Voice of Iran in Persian to Iran 1500 GMT 9 Oct 82

[Text] According to a report by the Free Voice of Iran correspondent in Tehran, Nehzat-e Azadi-ye Iran [NAI, the Movement for the Liberation of Iran], under the leadership of Engineer Mehdi Bazargan, in communiques, has asked government employees and students to participate in a mass strike in order to struggle against the current dictatorship and not to stop their struggling. Our correspondent adds: Following repeated complaints by the NAI about current conditions, the Khomeyni regime intends to arrest Mehdi Bazargan and other members of the NAI. Remarks by the acting director of the Martyrs Foundation, Karrubi, during the government contrived prayer show on Friday is, in the opinion of the political circles, the start of a plan to trap Bazargan and his colleagues. Mullah Karrubi, in his remarks yesterday, severely attacked Bazargan and the NAI and attributed all the problems of the past 4 years, for which the mullahs are responsible, to Bazargan, his colleagues and the interim government.

Our correspondent writes: In the Khomeyni regime of the Islamic Republic, in order to arrest well-known opposition figures, the issue is raised during the government contrived Friday prayer show first and then the individuals singled out are arrested immediately afterwards. It is possible that Bazargan, Yazdi and the members of NAI will be arrested in the next few days and sent to prison.

Our correspondent adds: The situation in Iran and especially in tribal areas, (?Fars) and Tehran is tense. Discontent has reached its limit and there is a possibility of an immense revolt at any moment. There are food shortages and the government is incapable of supplying the allotted amounts of rationed food. With the winter coming on fuel and especially white paraffin and fuel oil are hard to find and much of the essential goods cannot be found. The severe shortages of medicine and soap as well as other cleaning and disinfecting materials together with a shortage of doctors, nurses and surgeons coupled with dizzyingly high prices and continuous inflation are other reasons for the extreme discontent of the people of Iran.

Meanwhile, the Qashqa'i tribes of Fars, the Bakhtiari and other tribes are restless due to economic embargo and the conditions are ripe for a mass uprising in all of Iran. In recent clashes between the Qashqa'is and the guards, dozens of guards were killed around Firuz Kuh and other tribal areas.

CSO: 4600/60

IRAN

BRIEFS

ENVOY TO ALBANIA--According to the Central News Unit, on the proposal of Foreign Minister Velyati and with the president's approval, Mr Gholam 'Ali Heydari-Khajehpur, the Islamic Republic of Iran's ambassador to Rome, has been appointed accredited ambassador of the Islamic Republic of Iran to Albania. [LD200040 Tehran Domestic Service in Persian 1030 GMT 19 Oct 82]

CSO: 4600/60

JORDAN

DAILY CALLS FOR EGYPT'S RETURN TO ARAB FOLD

JN250904 Amman Domestic Service in Arabic 0500 GMT 25 Oct 82

[From the Press Review]

[Text] Under the headline "Egypt At This Stage," AD-DUSTUR says: Developments in the Arab-Israeli conflict almost embarrass the political observer because they are happening so quickly that they cannot catch up and analyze them. The Arab seven-member committee formed by the Fes summit to go to the United States to explain the Fes resolutions and the Arab position on peace continues its efforts there. The committee may be discussing with the United States topics other than those expected by the Americans--topics they consider to be the crux of events in the region. Also, the U.S. position toward the PLO has not developed any further and no new optimistic developments have taken place.

The Iraqi-Iranian war continues to drain fraternal Iraq and the Iranian leaders continue to insist on war intransigence and their unreasonable conditions. The Arab fragmentation which was revealed during the siege of Beirut remains and the Fes summit has failed to put an end to it as was expected. We still say we want to return to joint Arab action and the question remains unanswered.

In our opinion, any joint Arab action should be based on mobilizing as much as possible of available Arab potential to confront the fiercest challenges and most dangerous contradictions which are being imposed on the Arab march and which threaten the entire Arab presence.

One wonders: Is isolating Egypt from joint Arab action at this stage in the interest of this Arab action? More frankly, we ask: After Egypt's rejection over the years, of the Israeli concept of autonomy; after its insistence that Israel should recognize the legitimate rights of the Palestinian people; given the fact that during the war in Lebanon it became clear that Egypt had not withdrawn from the Arab-Israeli conflict; after the strain in Israeli-Egyptian relations, which according to reports had led some fanatic Israelis to call for a return to Sinai; and after the successive anxious statements by Israeli officials on the withdrawal of the Egyptian ambassador from Tel Aviv, after all that we say: There is no doubt that Egypt's return to the Arab fold will strengthen it in confronting the serious developments which are being imposed on the Arab nation by Israel or any other side. If we realize this fact then

any delay in adopting the appropriate decision will only benefit the nation's enemies and those who lie in wait for it, though there is much talk about axial considerations in Arab relations and about the desire to keep Egypt away from what some Arab and non-Arab forces consider to be a more suitable and flexible atmosphere for action once events reach a critical stage.

CSO: 4400/43

## AMMAN RADIO ASSAILS SYRIA'S ARAB POLICY

JN141944 Amman Domestic Service in Arabic 1600 GMT 14 Oct 82

[Station commentary: "Say Something Good or Remain Silent"]

[Text] Recent statements by the Syrian brothers do not represent a sudden change in the Syrian government's policies of the past several years. Although these statements are painful and harmful to Palestinian national and Arab interests, they are not new. If a certain side at a certain stage is unable to help its nation, that side should at least respect its national duty by not assisting the nation's enemy to cause the harm that the enemy desires. But that side was the source of harm and used the nation's enemy as its instrument to cause more harm. This is a long way from the saying: Say something good or remain silent.

The harmful and detrimental statements made by the Syrian brothers were aimed directly at the Jordanian-Palestinian effort. This is not the first time such positions have been adopted; there is a list of many distasteful memories and positions. Why? Before answering that question, we must take a quick glance at that long list of memories of harm to Palestinian national and pan-Arab interests.

First, there is the position that the Syrian brothers adopted on the Iraq-Iran war in support of Iran against Iraq. Second there is the closure of the Iraqi-Syrian border and the cutoff of the flow of oil through the [Iraqi] pipelines to harm Iraq's position during a long and major war, a time when Iraq needs all the Arabs' political and practical assistance. Third, the Syrian brothers boycotted the Amman Summit Conference, attempted to undermine and foil it, and massed Syrian armies on the Jordanian border. Fourth, they sabotaged and aborted the first Fes Summit Conference and attempted to foil Arab efforts in general. Fifth, they pressured the Gulf states in various ways and, along with Iran, threatened them if they even held coordination conferences among themselves. Sixth, they failed the Palestinian and the Palestinians resistance in its war against the enemy in southern Lebanon and during its legendary steadfastness in West Beirut.

The list is a long one, and throughout it shows how the Syrian brothers have continuously attacked Jordanian and Palestinian efforts in an attempt to strike at the national foundation upon which these efforts were based.

How does the Syrian government benefit from all this, and what [benefit] will it reap from all these positions aimed at undermining every Arab effort, whether at a comprehensive summit level or at the level of a special relationship between two peoples who have become united?

Unfortunately the Syrian government's strategy of undermining and threatening the Arab effort everywhere is inconsistent with the Arab resolutions that Syria agreed to along with all the Arabs.

From the Baghdad summit, at which all the Arabs--including Syria--agreed to make Arab solidarity the basis and the strategic starting point for all their efforts and actions, to the Fes summit, at which Syria and all the Arabs agreed to define and crystallize certain positions on several urgent Arab issues, we find that the Syrian government has totally ignored these resolutions and neglected the strategy of Arab solidarity.

To answer the question why, that question will be answered by every Arab citizen and will be confirmed in reality.

CSO: 4400/43

JORDAN

BRIEFS

DEPORTED MAYOR OFFERED POST--The government of Jordan has offered the deported mayor of Hebron, Fahd al-Qawasimi, a ministerial post in its government. This was reported by sources in Hebron close to al-Qawasimi to our correspondent Pinhas 'Inbari. They said that al-Qawasimi rejected the offer, saying that this would put an end to his chances of returning to the city, but our correspondent notes that this suggestion is in accord with the policy of Jordan to cooperate with the PLO in the Palestinian subject. Until not long ago, al-Qawasimi was part of the PLO office in Amman. [Text] [TA220845 Jerusalem Domestic Service in Hebrew 0800 GMT 22 Oct 82]

CSO: 4400/43

KUWAIT

KUWAITI PAPER ASSAILS SOVIET PRESENCE IN AFGHANISTAN

LD171222 Kuwait KUNA in English 1047 GMT 17 Oct 82

[From the Press Review]

[Text] Kuwait, 17 Oct, KUNA--KUWAIT TIMES on the Soviet invasion of Afghanistan:

"Another two months and the Soviet Union would be entering its fourth futile year in Afghanistan. When the Russians hobbled into Kabul they proclaimed that they had been invited by a friendly government in distress. That statement--or pretext--was perhaps true but only as far as it went.

"The Karmel government in Kabul may be a government friendly to Moscow. But how friendly are the Afghan people to the Karmal outfit and to the Soviet Union should be perfectly clear by now.

"The Soviets have been in Afghanistan long enough already to realise that the government on whose invitation they moved in was, in fact, a burden the people of that country were struggling to throw out, and indeed nearly had. It [is] also quite well known how that government so-called came to be in seat of power, however precarious that seat then was and still is.

"The hope of helping the Karmel government to a reasonable degree of popular acceptance at home and international recognition abroad remains far from any encouraging chance of realisation.

"The claim that law and order prevails in settled urban areas impresses nobody because it is contrary to facts. Resistance to the regime is perhaps stronger now than in the beginning. There are reason for its: [as received] The most important being the failure of the government to establish its authority, to enforce law and order and to make life worth living.

"But how long? It is about time the question was given some serious thought in Kabul as well as Moscow. Surely, the Soviet Union must have understood their own predicament. It was mighty enough to move into Afghanistan but not confident enough to move out. They have got themselves into a spot.

"If the Soviets genuinely move in the direction of a peaceful solution, they would be assured of cooperation from all quarters. Not before peace is

restored, a viable national government set up and Soviet military presence withdrawn would there by any prospect of Afghanistan's salvation.

"They have stayed in that country far too long to be entitled to the hospitality oriental people feel honoured to extend to genuine guests. Besides, Soviet involvement in Afghanistan is casting dark shadows over Moscow's relations with many important capitals of the world, not the least notable among them being Beijing.

CSO: 4400/43

KUWAIT

KUWAITI PAPER VIEWS SOVIET ROLE IN MIDDLE EAST

LD161410 Kuwait KUNA in English 1006 GMT 16 Oct 82

[Excerpt] Kuwait, 16 Oct (KUNA)--Extracts from Kuwaiti newspaper editorials Saturday:

AL-QABAS on the Soviet role in the Middle East:

"Did the Soviets willingly relinquish their role in the Middle East? Most probably yes.... The Soviets have not taken any extraordinary measure throughout the Israeli invasion of Lebanon, the long siege of Beirut, the expulsion of the Palestinian resistance force from the Lebanese capital, and the intensive Israeli-Syrian dogfighting. And though official Soviet statements have fully supported the Arab cause and the Palestinian people's right to an independent state over Palestinian lands, the Soviet Union appeared unwilling to provide full fledged support to its Arab allies, especially the Palestinian revolution, to see that their goals are achieved.

"Neither did Reagan's blueprint for peace in the Middle East prompt the Soviet Union to react beyond acceptable objection. Henceforth the Soviets presumably will not object to time establishment of a Palestinian entity that [words indistinct] idea of it."

CSO: 4400/43

KUWAIT

KUWAIT DAILY ON EXPECTED SETTLEMENT OF GULF WAR

GF231732 Kuwait AL-HADAF in Arabic 22 Oct 82 p 1

[Text] Responsible Gulf sources have told AL-HADAF that the Gulf war, which has been taking place between Iraq and Iran for more than 2 years, will end toward the end of this year.

The sources explained that the obstacles which emerged at the last moment amid the attempts that were made by the Islamic states and by the United Nations to end the war have been successfully overcome recently. It is now certain, according to these sources, that the start of the year 1983 will witness the start of a serious action toward a comprehensive settlement to the Middle East crisis.

The sources added that Swedish Prime Minister Olaf Palme will visit both Baghdad and Tehran shortly. It is noteworthy that prior to assuming leadership of the government in his country, Palme was the UN mediator in the Gulf war. His mediation stopped after he made large strides and accomplished success toward resolving most of the points of dispute between Baghdad and Tehran.

The sources suggest that the Swedish capital, Stockholm, will be the place where the Iraqi and Iranian parties will meet in order to negotiate a settlement to end the conflict and sign a peace agreement.

CSO: 4400/43

## LIGHT METALS INDUSTRY EXECUTIVE DESCRIBES STATE OF INDUSTRY

Beirut AL-IQTISAD WA AL-A'MAL in Arabic No 40, Aug-Sep 82 pp 32, 33

[Interview with Mr Muhammad 'Ali Naqi, president of the Arab Light Metal Industries Company by AL-IQTISAD WA AL-A'MAL: "Our Need for Exports Has Declined Because of Strong Local Demand"; date and place not specified]

[Text] The metal industry in the Arab world is now going through difficult circumstances as a result of increasing dubious attempts on the part of foreign companies to try to compensate for the recession prevalent in traditional markets by entering new ones, especially in the third world, by various market flooding practices. Among the Arab companies that are successfully struggling with this tide is the Arab Light Metal Industries Company in Kuwait, which is to be considered a distinguished Arab industrial project in its field of specialization.

In this conversation, Mr Muhammad 'Ali Naqi, the president and general director of the company, reviews its experiences and its current situation, at the same time taking up an evaluation of the status of metal industries and the experience, scope and problems of industrialization in Kuwait.

This is the conversation:

Question: What is the nature of the company's activity? What is your manufacturing rate?

Answer: Essentially our company's activity is based on the production of aluminum pieces, "profiles," of various types, shapes and colors for construction and building purposes. We also have worldwide technical resources available to us to produce colored parts used in decor work. Production takes place by hot pouring. The actual production capacity of parts (aluminum profiles) came to 2,694 tons out of a total legally permitted capacity of 3,000 tons in 1981. We expect that actual productive capacity in 1982 will reach its maximum capacity, now that the competent bodies in the Ministry of Commerce and Industry have given agreement to an increase in capacity to 4,500 tons a year.

To guarantee quality, we have a laboratory to conduct investigations to guarantee quality at a specific level, and work is now underway to expand and develop it and supply it with a complete set of equipment, in addition to the necessary technical system for running it.

Question: Is there any cooperation with foreign experts?

Answer: As far as foreign experts go, we cooperate with international testing institutes only in cases where precise tests are made. Through the grace of God, the results of our tests so far have been exceptional and encouraging, and we have reached agreement with the United Nations Industrial Development Organization (UNIDO) in Vienna to offer technical assistance to our company.

We point with great pride to the American Aluminum Society in Washington, which holds a competition among hundreds of companies active in the field of the aluminum industry and gives prizes to the best companies. Our company was chosen as one of a group of 57 which won certificates of merit for the quality of production and design they enjoy and for a distinguished commercial reputation which has put them in the ranks of the major international companies.

Question: How do you evaluate the status of the light metal industry at present and the trends in price and international competition?

Answer: The light metal industry in the region is in good condition as compared with industries which are similar to and correspond with it in all other areas of the world, in view of the brisk resurgence of building in the region in general. However, we find, conversely, that economic instability, disturbances and international recession are exerting negative effects and repercussions on our industry, since the international companies are always looking for new markets outside their borders and relying on flooding and improper and unequal competition. This has a bad effect and impact on everyone and is inflicting harm on Arab industries, especially since they are newly-emerging ones and do not have the staying power the competing international firms do.

Question: Do you have any current expansion projects, or projects to establish new projects?

Answer: We are making expansions in existing project at various material, technical and administrative levels, and so forth. As a result of planning to increase productive capacity, the need has arisen to erect a new unit (line) for the oxydation and coloring process. Studies are also being made by a specialized consulting firm to modify and reorganize the technical, administrative, financial and marketing system so that that can reach the necessary level of efficiency.

As regards new projects, thoughts are now being directed to establishing and founding new projects in some areas of the Arab nation; at the same time, discussion is underway to participate in sister projects in certain Arab countries, because our confidence in the future of the Arab area is great and because the present situation, which is marked by some difficulties, is fleeting and temporary.

Question: What are the most prominent difficulties and problems you are facing in the context of your industry? What means do you consider appropriate for dealing with these problems?

Answer: A. [Sic] We are facing some difficulties and problems arising from circumstances of unhealthy foreign competition, as we previously pointed out, in addition to attempts at exploitation by equipment, spare part and some chemical raw materials manufacturers. However, these problems, in our opinion, still are predictable and one can make provisions for them. However, what is abnormal are the peripheral problems, which one could sum up in the expression "administrative problem," which is having multifaceted, diverse effects from the administrative, technical, marketing and human standpoints. In spite of the aid the government and its institutions are providing, you can find that because the legislation in their regard has not been integrated. Some of them are causing some of these negative features to appear.

While we cannot ignore the benefits and aid that have been given us, we most unfortunately have to say that these "administrative complications" and the negative features they impose are absorbing and wiping out a large part of the other positive aspects.

To remedy this situation, we consider that the competent government bodies should carry out consultation and coordination with the industrial firms, invite them to a discussion, review the problems they are confronting in the course of everyday experience, and round out the legislation so that government decrees will not turn out to be deficient in resolving part or more of the existing problem, while not extending to the essence of the entire problem.

What draws one's attention here is the lack of stability, the turnover, that is to be found in the government employment system as far as young Kuwaitis go, especially in the current stage. This is having negative repercussions and effects on independence of administrative decisions and is making the government incapable of bringing about its general policy through the administrative system it has.

Question: How do you evaluate the status and current trends of industry in Kuwait?

Answer: One must unfortunately state that the course of industry in Kuwait is advancing slowly, because investments in the market are for the most part being directed toward securities and because there is a tremendous increase in the incomes of investors and the cash flow at their disposal, prompting them to turn toward foreign industries that are in no way distinguishable from local ones. This situation arises from a tendency toward self-display and pomp, not from study and profound thought. Suffice it for us to point out that some big investors who own domestic industries are importing foreign products which are similar to and undistinguishable from the products of their own plants, a matter which calls for reflection and thought.

Question: It is well known that the Gulf countries lack many of the ingredients of industrialization (manpower, primary materials, and large markets). To what extent can one expand industry in sight of this situation? What are the available options, in your opinion?

Answer: The question is proper and sound, but it may be premature to talk of laying the groundwork for a solution to these problems, because the Gulf area is still in the development stage and the current phenomenon of flourishing construction and the great leap that is being witnessed constitute a perverse stage on which one cannot build. In any event, it is necessary that we direct ourselves, in our search for a solution, to the option of completing and opening up Arab markets and have dealings among members of the Arab nation take place on an equal basis and at a similar level in all Arab countries, with the least possible amount of project overlap, waste and harmful selfcenteredness.

Question: To what extent have Gulf industries managed to assimilate and apply science and management techniques to the production process and increase competitive ability and efficiency?

Answer: The Gulf industries' assimilation of these techniques has been relatively good, considering the short life span of this fledgling industry. However, among the negative phenomena to which one must refer in this regard, there has been the recourse to foreign consulting firms to seek aid in setting out administrative, organizational and technical bases, although it has been established on many occasions that these offices set out and propose ready-made remedies that might be right for their countries but are not suited to the circumstances of the environment, weather and construction traditions of the Gulf region. Therefore, we consider that it is necessary to seek the aid of national consulting firms which have expertise and understand the conditions of the area and the psychology of the citizen, to reorganize and do other things in the light of tangible reality.

Question: How do you view the future of industry in the Gulf?

Answer: Judgment on the degree of success of industry in the Gulf and the rest of the area in general should not just be based on its intrinsic powers; it is also to a large degree connected to general Arab social, economic and political conditions. Consequently, to evaluate efforts exerted in the field of industry on the basis of technical and administrative criteria amounts to a great injustice. Therefore, we consider that the future of industry in the Gulf is in no way isolated from the other developments and interactions in the region, in view of the firm, organic connection among political, economic, security, cultural and other factors, since they complement one another. It is no secret to you the elements that political and security stability provide; these, in turn, are reflected on the other sectors, particularly the industrial sector, which is considered the backbone of future industrialization and the first, most important bridge toward the implantation of technology in the Arab nation.

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CSO: 4404/18

KUWAIT

BRIEFS

KUWAIT-USSR TV EXCHANGE--Moscow, 14 Oct (KUNA)--The Soviet television has signed a contract with a Kuwait private company on the exchange of TV films, it was learnt here Thursday. The agreement between the Soviet Television Corporation and the Kuwaiti Emerald TV Artistic Production and Distribution Company gives the latter the right of screening and distribution of Soviet TV films and programmes not only in the state of Kuwait but in other Arab Gulf countries as well. [LD150548 Kuwait KUNA in English 1827 GMT 14 Oct 82]

CSO: 4400/43

RIYADH COMMENTS ON U.S.-ARAB COMMITTEE TALKS

LD211732 Riyadh Domestic Service in Arabic 1130 GMT 21 Oct 82

[Hashim Abdu Hashim commentary]

[Text] The Arab states are sincerely aspiring to achieve a stable situation in the region and trying to bolster the foundations of security so as not to give the foreign powers any opportunity to interfere with or dominate their destinies. As we see it, peace in the region prevents any increase in the domination of foreign powers over the destinies of the peoples. Furthermore, it protects the weaker sides against falling into the trap of joining alliances, and it spares their states and peoples from the tricks of polarization and the spread of foreign interests, which is so dangerous to these states.

While we view peace from this angle, Israel finds in it an opportunity to impose a fait accompli, to consolidate its occupation of Arab territories, and also to put an end to the legitimate demands of the people of Palestine regarding land, freedom and independence within the frame of a Palestinian state. Since there is a big gap between the two stances, we do not believe that the Israelis will come up with fresh stances that are in line with the international will and that acknowledge the legitimate rights of the Arabs in general and the Palestinians in particular.

This being the case, at this stage it is the U.S. role which will determine any possibility for advancing with practical steps on the path of a just, comprehensive and honorable peace. It is for this reason also that the current Arab-U.S. dialogue is but a sincere attempt to realize this possibility, and to know the U.S. vision of the dimensions of the nature of the hoped-for peace. At the same time the Arab-U.S. dialogue seeks to acquaint the U.S. administration with the Arab vision, which is derived from the resolutions of the international organization and from other international draft resolutions which presented themselves at various times as proposed solutions to the problem. We shall be very happy indeed when the United States realizes the reality of the Arabs' sincere desire for peace. We shall be even happier when the American people, before any one else, find out that the current Arab move carries within its folds, humane and ethical motives backed by a legitimate right. However, many political observers in the United States have demonstrated great changes in their stances. They have responded to the Arabs' obvious rights in accordance with the reports, information and opinions published by the U.S. information

media this week on the seven-man committee which is visiting the United States with the purpose of making available a better chance for the congruence of opinions on practical starting points toward peace. There is no doubt that such a change in American public opinion constitutes a positive factor in pushing the U.S. administration toward an understanding based on justice and on the desire to spare the region from further dangers.

This being so, any step taken by the administration of President Ronald Reagan in the direction of the committee's efforts will have a positive impact on pushing the real peace step quickly in the right direction. It is possible for this push to be decisive, especially if the U.S. administration comes to understand one important fact, namely: Any progress in the talks will depend on the degree of the PLO's participation as a basic and important factor, particularly at this stage. We still hope to obtain this positive stance so as to push the wheel of peace forward.

CSO: 4400/42

## ECONOMICS SOCIETY PRESENTS STUDY OF NATION'S FOREIGN TRADE

Paris AL-NASHRAH AL-IQTISADIIYAH AL-'ARABIYAH in Arabic Sep 82 pp 17-23

Article by Faruq al-Tamam: "Foreign Trade Trends in the Syrian Arab Republic"

Text At the last session of the Tuesday Economic Symposium on economic and social development in the Syrian Arab Republic, which the Economics Society held at the Arab Cultural Center in Damascus on 8 June 1982, people concerned with development affairs discussed the talk which Dr Taha Bali, the assistant minister of economy and foreign trade, had given. The subject of the talk was basic foreign trade trends in the Syrian Arab Republic.

At this symposium, the discussion was moderated by Mr Ahmad Dabbas, the assistant minister of supply and domestic trade.

The study Dr Bali presented to the symposium was broken down into three sections:

1. The state of our foreign trade, its commodity structure, its geographic distribution in recent years and its breakdown by private and public sector.
2. The international and Arab context of our foreign trade in light of the prevailing international and Arab economic circumstances and agreements reached with Arab and foreign countries.
3. The future horizons of our foreign trade, and ideas and recommendations aimed at correcting the trends and course of foreign trade that it can play a positive, effective role in the service of development and increased production.

Herewith we present a summary review of this valuable talk, which contained the most up-to-date statistics.

#### The State of Foreign Trade in the Country

It is not strange that the subject of foreign trade should meet with considerable ongoing attention at official and ordinary levels in our country. The foreign trade sector plays a prominent role in the service of the domestic economy and has a perceptible influence on the economic and social development process in the country.

The foreign trade sector is based on the development of exports, which are the cornerstone of support for our revenues, the provision of the production accessories and foreign currency necessary for economic activity, and the satisfaction of our import needs as required by consumption. This makes it necessary that the economic and social growth the government is aiming at be achieved.

What ails our exports? Why can't they stand on their own two feet in foreign markets? Why are they groping to find their way? Who is responsible--the producer of local raw materials, the worker who manufactures them, the managers of his company, the owner of the shop in which he works, the government merchants, intermediaries and middlemen, or the imperialist monopolies?

What is the reason for this deluge of exquisite luxury and discretionary commodities? How long will it last? Will the Committee to Guide Imports be able to stop it?

#### The Main Problem of Syrian Exports

The country's pressing export problem has become one of a shortage in relative output in terms of quantity and quality, in the face of consumption requirements, especially in the realm of agricultural output. While industrial output recorded relatively high increases in recent years, most of these increases were consumed domestically; the propensity toward consumption remains intense. Nonetheless, a modest portion of this industrial output was exported. In other words, the problem of exports is no longer considered to consist of obstacles to exports but rather is a problem of limitations in commodity production in general.

As evidence of that, more than 15 percent of the value of the country's exports, oil and cotton, meet with no foreign marketing difficulties worth mentioning, since the world market can absorb several times the amounts of crude oil and cotton produced. An example of that is the fact that the purchase of all the amounts of oil the country produces is contracted for in advance, before the actual process of exporting it takes place; the same is true with most of the volumes of cotton produced.

The difficulties other exportable Syrian commodities meet with are confined to the marketing of about 15 percent of the total exports, consisting of phosphate, tobacco and several types of grain, in addition to textile products in the form of cotton, artificial silk, wool and clothing, and canned food industry products.

#### Where Is Our Foreign Trade Headed?

The discussion of foreign trade is continuous and reasserts itself, but it is not new. It keeps on as economic and social development continues, since foreign trade is one of the basic branches of the domestic economy. The discussion of foreign trade lies at the heart and core of the economic development our Syrian Arab Republic is programming and pursuing under difficult, complex circumstances, and our people are providing perseverant and determined support in order to bring about their aspirations and goals for liberation, socialist transformation and Arab economic integration through comprehensive economic union and the construction of

a unified Arab society, on behalf of the welfare and happiness of the Arab citizen, in response to his growing needs and in order to raise the level of his material and cultural life.

The importance of foreign trade in the Syrian economy has been increasing. It accounts for about 57 percent of national income in current figures, based on the most up-to-date statistics of the Central Statistics Office; through imports, it provided the country about 86 percent of fixed assets and intermediate goods in 1981. In addition, about 24 percent of manufactured and semi-manufactured products are disposed of through exports.

The Syrian Arab Republic has been throughout history and still is an important commercial center, representative of cultural and commercial intercourse, making foreign trade one of the most active branches of the domestic economy in the fields of production, consumption and distribution, a basic pillar of our development policy and one of the main sources for the generation of domestic income and product.

The commodity volume of our foreign trade has developed in the last 10 years, from 1972 to 1981. The value of our commodity imports rose from 2,084,000,000 pounds in 1972 to 29,727,000,000 pounds in 1981, while our commodity exports increased from 1,141,000,000 pounds in 1972 to 8,254,000,000 pounds in 1981.

#### The Development of Imports and Exports

The value of our commodity imports rose from 6,173,000,000 pounds in 1975 to 13,066,000,000 pounds in 1979--that is, at an average annual growth rate of 21 percent--while the value of commodity exports rose from 3,441,000,000 pounds in 1975 to 6,453,000,000 pounds in 1979, or an average annual growth rate of 17 percent. This led to an increase in the commodity balance of payments deficit from 2,732,000,000 pounds in 1975 to 6,613,000,000 pounds in 1979.

During this period, the ratio of our raw material exports to total exports came to 88 percent, while the ratio of semi-manufactured exports came to about 3 percent and the ratio of manufactured goods exports remained at about 9 percent.

As regards imports classified according to the nature of the material, the ratio of raw materials and semi-manufactured commodities came to about 55 percent in 1979, while it was about 53 percent in 1975.

Dr Taha Bali pointed to the growing balance of trade deficit, which rose from 683 million pounds in 1975 to 1,579,000,000 pounds in 1979 and reflects the obvious deficiency of local production in meeting domestic demand for consumer and intermediate goods and its reliance on the outer world to respond to final consumption needs and intermediate production requirements.

The value of our commodity exports in 1981 came to 8,254,000,000 pounds, while in 1980 it had come to 8,273,000,000 pounds--that is, it recorded a slight drop of 19 million pounds. Our exports in this period still depend in their commodity composition on certain primary mineral and agricultural raw materials.

Our imports in 1981 came to 19,727,000,000 pounds, while in 1980 they totalled 16,165,000,000 pounds; that is, they recorded an increase of 3,616,000,000 pounds.

Through an analysis of the commodity makeup of our imports, it is clear that that is totally the opposite of our exports. It consists of diverse, miscellaneous goods and assumes a curve contrary to that for exports, since readymade manufactured goods account for the bulk of these, intermediate goods for a lower percentage, and raw materials the lowest of all.

A growing negative balance is apparent in receipts from this trade. While the balance of trade deficit was 7,892,000,000 pounds in 1980, it rose to 11,473,000,000 pounds, or by about 45 percent. In other words, the ratio of exports to imports in 1980 came to about 51 percent while in 1981 it dropped to about 43 percent.

#### Our Trade with the World's Countries

Western Europe receives the bulk of our trade in commodities, in terms of imports and exports, followed, in terms of imports, by Arab countries and, in terms of exports, by the socialist countries.

Western European countries' share of our exports in 1980 totalled 64 percent; this rose to 66 percent in 1981. Meanwhile its share of our imports, which was 14 percent, rose to 16 percent.

The Arab countries' share of our exports is modest; it totalled about 8 percent in 1980 and rose to 10 percent in 1981. However, its share of our imports reached a ratio of 25 percent in 1980 and 30 percent in 1981. Our oil imports constitute the basic element of these imports.

The share of the American [sic] and other countries is modest, about 7 percent of our imports in 1980, dropping to 5 percent in 1981, while their share of our exports was greater, amounting to 17 percent in 1980 and declining to about 16 percent in 1981.

#### Private and Public Sector Foreign Trade

The private sector's share of exports in 1980 came to 603 million pounds, or 8 percent, rising to 725 million pounds, or 9 percent, in 1981. Meanwhile, its share of imports was much greater than that of exports, totalling 4,177,000,000 pounds or 26 percent, in 1980. In 1981 it preserved a modest increase in this percentage, when it came to 4,188,000,000 pounds, but that was a ratio of less than 21 percent of total imports, in view of the rise in the value of these imports by 22 percent between 1980 and 1981.

#### Trends in Our Foreign Trade

Dr Taha Bali presented his observations on foreign trade:

Although our foreign trade has in general maintained its basic trends, it appears that there was relative change in it in the right direction between 1980 and 1981,

embodied in the rise in the ratio of intermediate materials and fixed assets to the country's total imports to 86 percent in 1981 as compared with 84 percent in 1980, as well as the rise in the country's ratio of manufactured material exports from 24 percent in 1980 to 27 percent in 1981, at the expense of a drop in our raw materials exports.

An increase in the country's oil and oil products imports, rising from 4,198,000,000 Syrian pounds in 1980 to 7,198,000,000 pounds in 1981, contributed to the rise in the value of our imports in 1981.

Since the valuation of imports and exports is in Syrian pounds, one must take the official or parallel rate of foreign exchange into consideration in calculating the value of the trade, on the basis of either rate, since our imports are carried out at the two rates, and not at a single one.

While conceding an increased balance of trade deficit and a need to remedy it by realizing better proportions and balance in the structure and commodity and geographical breakdown of our foreign trade, we cannot ignore the requirements of development and defense, the needs of the construction of the fundamental base for a socialist transformation in the country, and their effect on our increased imports.

The rise and the effects on inflation and its effect on the high rate of increase of prices of our imports have, in addition to the international and local pressures facing our foreign trade and other domestic and foreign economic considerations which are affected by it, had a negative repercussion on the efficiency and orientation of our foreign trade.

Although some proportionalities in imports have been reasonable and acceptable at this stage of economic and social development, the establishment of a firm material base and the provision of the primary materials and capital and intermediate machinery, equipment and goods the country requires, along with some essential foodstuffs, others are undesirable and need review and treatment. Examples of this are imports of agricultural and livestock goods and a broad range of food and luxury items whose value comes to several billion Syrian pounds a year, including approximately 3.5 billion pounds in plant, animal and livestock production. Ours is an agricultural country, our economy depends on agriculture in the first place, the bulk of our population works in agriculture, and the bulk of our exports come from agriculture. This underlines the imbalance in the structural formation of our foreign trade, its composition in terms of commodities, and its geographical breakdown in terms of imports and exports.

#### The Decisive Solution Lies in Increasing Production

How can we deal with and eliminate this imbalance?

The decisive, radical solution, in the opinion of Dr Bali, lies in increasing production, improving productivity, guiding imports and consumption and stimulating exports.

All this should be done in the framework of a comprehensive, balanced plan for all branches of the domestic economy, remedying the negative aspects and waste of

energy our foreign trade is suffering from and setting it on the proper course in order to attain the goals that have been mapped out for it in the service of economic and social development, increased and expanded production, increased rates of economic growth and increased national income.

### Reform of the World Economic System

Early this June, representatives of the seven industrial countries met at Versailles to deal with the crisis in the capitalist system resulting from the growing crisis in commercial relations between the advanced industrial countries and the developing countries. Adding to this state of crisis has been the exacerbated crisis of the capitalist economy in all its severe manifestations of unemployment, inflation, accumulation of and difficulty in disposing of output, aggravated bottlenecks and contradictions among the economies of the capitalist countries.

Recently the chairman of the German Society for the Near and Middle East, which includes more than 600 West German organizations, stated that 500,000 jobs in West Germany depend on West Germany's exports to this region; in 1981 these came to about 38 billion German marks, an increase of 51 percent over 1980. These figures underline the fact that the German economy places great reliance on the profits it obtains from these exports, above and beyond the prevailing climate of interaction between the advanced industrial countries and the developing ones in the field of foreign trade, which is embodied in the constant drop in the prices of the latter's raw material exports to the industrial countries, the constant high rate of increase in the prices of their imports from them, and consequently the aggravated deficit in their balance of payments and their increased burdens of foreign debts.

These matters made it necessary that the world economic system be corrected, reformed and rebuilt on sound bases which will bring about justice and equality in trade and benefits and eliminate exploitation and subordination for the sake of cooperation and mutual interests. The first thing the advanced industrial countries must hasten to do is to eliminate trade and other barriers standing in the way of the exports of developing countries, break the vicious circle of rises in the prices of the latter's manufactured commodity imports, lessen the interest on their loans, offer effective technical and financial aid to carry out economic and social development programs, and establish the necessary fundamental material base for their social advancement and economic liberation.

This should take place free of conditions reducing their independence and sovereignty. To these increasingly critical international circumstances one should add the concomitant Arab circumstances which characterize the Arab world. These are distinguished by disputes and contradictions which weaken Arab economic cooperation, and they are in particular reflected on the Syrian Arab Republic, which is persevering in the face of conspiracies, aggression and economic boycott and is firm in its defense of Arab issues, foremost among them the Palestinian cause.

### Future Horizons for Our Foreign Trade

Dr Taha Bali offered a number of ideas, recommendations and conceptions on the future horizons of our foreign trade in the form of an integrated strategy in the

context of a comprehensive balanced plan in the foreign trade field through which we can bring about new interrelationships and balances which will ensure that the negative features or disruptions in the structure of our foreign trade or in its geographical breakdown, or the consequences for and reflections on the domestic economy and development in the country, are corrected.

All 5-year plans have mentioned and stipulated the need to correct the structure of our foreign trade and impart a sound composition to it by reducing the balance of trade deficit and diversifying exports.

Meanwhile, the volume of manufactured exports should be increased, while the dependence in exports on primary raw materials should be reduced, imports should be guided, imports of luxury and discretionary commodities should be reduced, and priority should be given to machinery, equipment, capital goods, production accessories and foodstuffs. In this area we have covered substantial ground, but we have not yet reached the desired goal, and we must still exert greater effort and rely on intelligence and balance in our trade with the outer world and self denial and belt-tightening in our domestic consumption patterns.

#### Limited Goals of Our Foreign Trade

The general strategy of the domestic economy up to 2000, and the general premises of the fifth 5-year economic and social development plan for 1981-1985, have dealt with remedying and rectifying the imbalance in foreign trade, in accordance with specific goals:

Strengthening the public sector's role in foreign trade.

Reducing the balance of trade deficit.

Striving to create balance in trade with various international blocs, in a manner which will advance the country's interests.

Bringing about a 37.1 increase in exports of goods and services over 1975 during the plan period, that is, an average growth rate of 6.5 percent a year.

Strengthening the structural foundation of exports by increasing the relative importance of manufactured and semi-manufactured goods and reducing the relative importance of raw materials exports.

Increasing exports of services.

Bringing about an 18.2 percent increase in imports of goods and services over the 1975 level during the plan period, that is, an average growth rate of 3.4 percent a year.

Modifying the structural basis of capital formation goods imports and reducing the relative importance of finished consumer goods imports, especially luxury goods.

Reducing service imports.

## Toward an Integrated Strategy for Our Foreign Trade

In spite of their importance and the positive features they offer for the future of foreign trade, these specific goals of our foreign trade must depend on an integrated strategy in the framework of a comprehensive plan which takes stock of the following bases and notions, which Dr Bali spelled out:

Foreign trade, in its two main areas, imports and exports, is an essential branch of the domestic economy and an effective element providing incentives for production and additions to productions; it is not just a means or form of exchanging foreign commodities.

The role and tasks of foreign trade are specified in accordance with the dictates and requirements of development and industrial and agricultural production, not the dictates of services and consumption, which take the form of parasitic commercial activity aimed at realizing profits and satisfying consumer objectives.

Concentration on industries to replace imports under the best technological conditions, at the lowest possible cost levels, in a manner bringing about the best and most feasible possible economic rent.

The concentration on export industries of specific types, in the context of productive plans, providing all the requirements of these industries on a clear basis of economic rent and feasibility, in accordance with the demands of foreign markets.

Planning to double exports every 10 years.

Linking imports to exports, whenever that is possible, under the best circumstances.

### Executive Measures

In addition to this strategy, Dr Bali recommends that the government carry out a series of executive measures and supplementary arrangements, and presents the most important of these:

Tightening and expanding government dominance of foreign trade.

Unifying the administrative leadership of foreign trade.

Guiding consumption and imports by limiting luxury and unnecessary commodity imports.

Reviewing the makeup of foreign trade organizations and their methods of operation, providing them with the necessary resources so that it will be feasible for them to play their part in executing government policy and plans in the realm of foreign trade at a high degree of competence, economic rent and performance, in accordance with commercial methods and demands, and reducing the dominance of administrative and bureaucratic procedures and restrictions.

Reviewing the consolidation and simplification of foreign trade statutes and reducing the dominance of administrative red tape over them.

Improving major commercial services and providing them in adequate fashion at low cost.

Relying on the study of foreign markets, following up on foreign market developments and properly selecting the best marketing opportunities, especially in the case of prices and the supply-demand mechanism, making maximum use of trade representation agencies abroad and using barter operations in international markets in the best circumstances available.

Resuming currency account payment agreements in accordance with equal, balanced bases that will realize the mutual interests of the contracting parties.

Dealing seriously and effectively with the issue of smuggling and limiting its activity and economic effects.

After Dr Taha Bali gave his talk, a discussion took place among the people participating in the symposium on the subject of developing our foreign trade.

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