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2 August 1982

## NEAR EAST/NORTH AFRICA REPORT

No. 2593

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ARAB MONETARY FUND ACTIVITIES IN 1981 DISCUSSED

Beirut AL-IQTISAD WA AL-A'MAL in Arabic No 38, May 82 pp 88-89

[Article by Dr Jawad Hashim, executive president of the Arab Monetary Fund:  
"Is 1981 the Take-Off Year for the Arab Monetary Fund?"]

[Text] Arab Monetary Fund [AMF] Loans in 1981 Were More Than Double What They Were During the 3 Previous Years. The Most Important Developments Have Been the Raising of the Maximum Permitted Borrowing to 400 [Percent] of [a Member Nation's] Paid-Up Contribution and the Easing of Terms Set [for Granting Loans].

The AMF, whose lending activity was somewhat cautious during the first few years of its existence, noticeably became very active in 1981. In that year its loans totalled more than double what was loaned out during the 3 previous years, that is, from 1977 to 1980. The following is an examination of the results of the AMF's activities and the most important factors which led to the great increase in volume of loans which it is making to the Arab nations. The results achieved by the AMF during 1981 might represent an important turning point in the organization's role and the scope of its contribution toward financing the gap in the balance of payments of those Arab countries which have a deficit as well as toward financing the development of mutual trade between the Arab countries. Up till 1981 the activities of the AMF were rather slow moving and the loans which it provided to the member nations suffering from a deficit in their balance of payments were not only small loans, but also usually involved tough terms. Statistics put out by the AMF indicate that total loans granted by the AMF during the 3 years from 1977 to 1980 amounted to about 35 million Arab dinars, that is, only about 26 percent of the paid-up capital. This situation impelled some of the member nations, especially the Gulf nations, to oppose increasing the AMF's capital since they considered that the ratio of the AMF's loans to its capital was still proportionate. However, due to several factors, the AMF in 1981 alone accomplished results which were more than double the results of the 3 previous years. The total value of the loans which it provided to member nations during 1981 was 78.6 million dinars [1 Arab dinar = 3 Special Drawing Rights units, which is equivalent to \$3.5]. The AMF's total obligations increased from 35 million Arab dinars to 113 million Arab dinars. The leap is actually attributable to several factors, the most important of which are the following:

1. The AMF changed its terms for granting loans so that they became more flexible and more responsive to the situation of Arab nations having a deficit [in their balance of payments].

2. The maximum borrowing permitted was raised to 400 percent--instead of 300 percent--of each member nation's contribution toward the paid-up capital in convertible currencies. Also, in view of the fact that the AMF's agreement exempts compensatory loans, which are granted in emergency circumstances, from this maximum loan ceiling, the maximum permitted borrowing becomes 500 percent of the paid-up contribution in cases where compensatory loans are granted. In addition to this, other loans provided for by the AMF regulations are granted.

3. The AMF Board of Governors has decided to permit any member nation which wishes to do so to pay the remainder of the paid-up capital which it owes in order to be provided the opportunity to obtain larger loans which would be granted in relation to the share of capital paid in by that nation. It should be borne in mind that payment of the subsequent installment of the subscription is considered to have been completed when the obligations of the AMF total 50 percent of the paid-up contributions. Of course, this exception for nations desiring to increase their withdrawals from the AMF has permitted the second part of the subscription to be paid before the legally prescribed deadline and thus permits them to request new loans after already borrowing the maximum permitted them during previous years. Somalia, Morocco, South Yemen, and North Yemen all took advantage of this new measure.

4. Another factor which perhaps also enabled [the AMF to achieve greater results] was the fact that the AMF has acquired greater expertise and its apparatus has become more highly developed. This occurred "in spite of the great difficulty in obtaining highly qualified personnel because there are few such highly qualified people and because they have many international and regional opportunities to work in their field" (see the report).

As for assessing the AMF's activities and the most important developments experienced by the AMF in 1981, one can make the following remarks:

1. The ratio of loans granted to paid-up capital rose from 29 percent to 70 percent during 1981. This means that, according to the AMF's regulations, the member nations which have not yet paid the second part of their subscription must do so. And this means that the AMF's paid-up capital will perhaps increase from 151 million Arab dinars to 263 million Arab dinars.

2. By the end of 1981 the AMF had granted a total of 21 loans (10 of which were granted during 1981 alone). Up till that time AMF loans were taken out by 8 of the member nations, which were Sudan, Syria, Somalia, Egypt, Morocco, Mauritania, North Yemen, and South Yemen.

3. In spite of the great increase in interest rates in the international and financial markets, the interest rates set by the AMF since 1978 have not changed. They range between 4.95 percent and 5.85 percent for compensatory loans, and the rates are only 0.25 percent higher for other loans. The reason

for this is that the AMF has the objective of lightening the debt service burden which is on the shoulders of its member nations and due to the fact that the AMF relies on its own resources when granting loans to the Arab nations.

4. The largest borrower of AMF loans has been Morocco, which has obtained 49 million Arab dinars worth of loans (of which 31 million Arab dinars worth of loans has actually been taken out). This equals 43.3 percent of the total in loans granted by the AMF. Since Morocco has been endeavoring to increase its share of the loans, it has paid in the second part of its subscription. Nevertheless, it soon exhausted its share, which totalled about 500 percent of its paid-up contribution. For this reason Morocco has been endeavoring to increase its share of the AMF's capital from 10 million Arab dinars to 30 million Arab dinars. However, this matter has not yet been decided.

5. So far North Yemen has only taken out automatic loans from the AMF, totalling 3.5 million Arab dinars. It should be borne in mind that [North] Yemen can still obtain loans totalling 20 million Arab dinars, that is, 4 times its paid-up share. And North Yemen is permitted to take out 25 million Arab dinars worth of loans if we take compensatory loans into consideration.

6. The non-oil-producing Arab nations which so far have not resorted to [taking our loans from] the AMF are Jordan, Tunisia, and Lebanon. The reason for this is that the balance of payments of these nations has either shown a surplus (in the case of Jordan and Lebanon) or the deficit has been compensated for by normal means.

7. Lessons learned by the AMF during its first few years of work experience have permitted the AMF to clarify and consolidate the investment policy which it is pursuing, in particular with regard to the following:

1. Determining the organizations and establishments which the AMF will do business with. It is stipulated that these organizations and establishments have a good financial reputation which can be relied on, and that they be organizations and establishments which engage in extensive activity in the financial markets where the AMF is interested in doing business.

2. Providing opportunities for working together both with Arab banks and joint Arab-foreign banks, without violating [the AMF's] general principles.

3. Criteria for investing in securities and bonds.

4. Ratios of distribution of the investments in various currencies, and bearing geographical distribution in mind.

5. Beginning to invest in assets valued in terms of the SDR unit, especially after the basket of currencies constituting it was restricted to 5 currencies instead of 16 and after the interest rate on the SDR unit came to be equal to the weighted average of the interest rates on the 5 principal currencies constituting the SDR basket of currencies. This has been aided by the

increase in number of financial establishments which accept investment assets or deposits offered in SDR units, especially after the currencies constituting the SDR unit were restricted to those currencies which circulate the most in the world.

In addition to the developments which have taken place in the field of loans and investments, during 1982 the AMF pursued activities in other areas. The AMF was especially active in establishing and consolidating technical aid programs for its member nations in the monetary and banking fields. It organized for this purpose a symposium dealing with balance of payments which was held in January 1981. In addition to this, another symposium was organized during 1981 which dealt with the administration of foreign assets and analysis of bank credit. This symposium took place at the AMF headquarters in Abu Dhabi.

The AMF also continued completing the requirements for establishing an Arab system for the settlement of [balances of] payments, continued its support for organizations dealing with joint Arab work, and continued participating in meetings and expressing its opinion with regard to various matters related to the AMF's activities. The AMF also went a long way toward completing the studies necessary for the establishment of the basic organizations required for Arab monetary integration.

In addition to the above, we shall quote some of the most important facts and data which reflect the development of the AMF's activities as of the end of 1981 and which appeared in the [AMF] annual report.

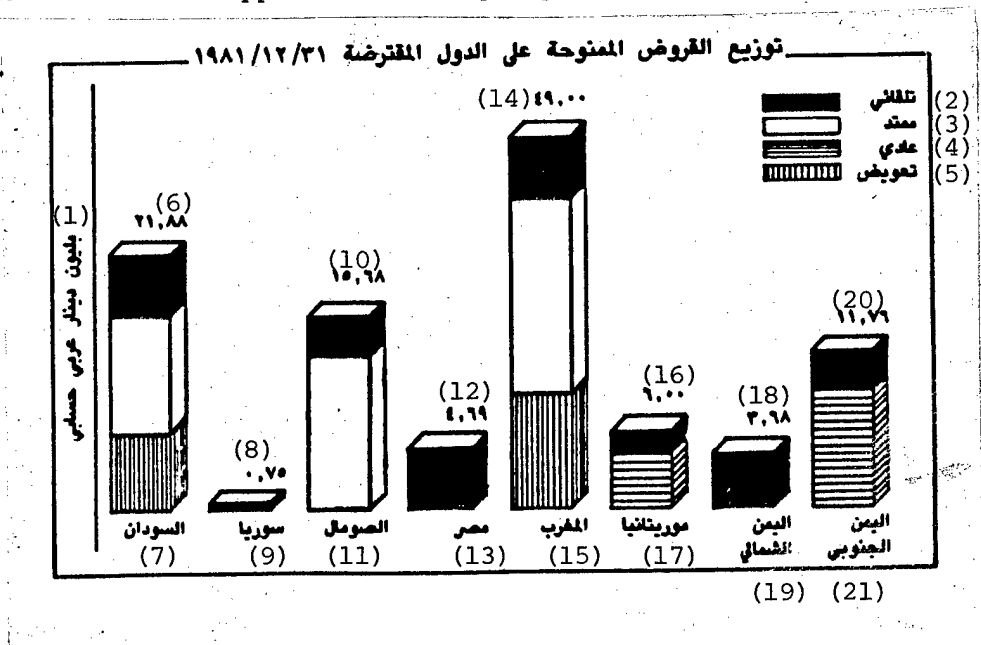


Figure 1. Distribution of Loans Granted to Borrower Nations as of 31 Dec 81

Key:	1. Millions of Arab dinars	8. 0.75	15. Morocco
	2. Automatic loans	9. Syria	16. 6.00
	3. Extended loans	10. 15.68	17. Mauritania
	4. Ordinary loans	11. Somalia	18. 3.68
	5. Compensatory loans	12. 4.69	19. North Yemen
	6. 21.88	13. Egypt	20. 11.76
	7. Sudan	14. 49.00	21. South Yemen

Table 1. Loans Extended by the AMF (in Arab dinars)

<u>Year</u>	<u>Number of Loans</u>	<u>Total Value of Loans</u>	<u>Total Amount Withdrawn</u>	<u>Total Amount Repayed</u>
1978	2	6,563,000	6,563,000	-
1979	5	16,500,000	14,000,000	-
1980	4	11,750,000	11,750,000	4,125,000
1981	<u>10</u>	<u>78,615,000</u>	<u>46,955,000</u>	<u>6,469,000</u>
Total	21	113,428,000*	79,268,000	10,594,000

\*[Translator's Note: Original by mistake says "13,428,000"]

Table 2. Paid-up and Subscribed AMF Capital As of 31 Dec 81 (in million of Arab dinars)

<u>Nation</u>	<u>Paid-up Capital*</u>	<u>Subscribed Capital</u>
Jordan	4.000	4.0
UAE	7.800	15.0
Bahrain	2.080	4.0
Tunisia	2.600	5.0
Algeria	19.760	38.0
Saudi Arabia	19.760	38.0
Sudan	5.200	10.0
Syria	4.000	4.0
Somalia	4.000	4.0
Iraq	19.760	38.0
Oman	2.080	4.0
Qatar	5.200	10.0
Kuwait	13.000	25.0
Lebanon	5.000	5.0
Libya	9.300	9.3
Egypt	6.750	25.0
Morocco	10.000	10.0
Mauritania	2.080	4.0
North Yemen	5.000	5.0
South Yemen	4.000	4.0
Palestine	-	1.7
Total	<u>151.370</u>	<u>263.0</u>

\*Includes 2 percent of the subscribed capital paid in in local currencies.

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ANALYSIS OF ARAB INTERNATIONAL BANKERS' MEETING

Beirut AL-IQTISAD WA AL-A'MAL in Arabic No 38, May 82 p 52

[Article: "The Second Arab International Bankers' Meeting: Conflict Between Two Philosophies and Agreement Concerning an Acceptable Minimum"]

[Text] Bahrain--The Middle East Consultant Center--Last 11 March in Bahrain the Second Arab International Bankers' Meeting was held, upon the invitation of the Arab Banking Organization. The meeting was chaired by Mr 'Abdallah 'Ammar al-Sa'udi, the executive president of this organization. The first preliminary meeting had already been held in Washington during the annual meeting of the IMF.

Since the very beginning of this meeting it was clear that this effort to gather Arab bankers together had encountered difficulties concerning [agreeing on] the type of meeting to be held, the objective the meeting should have, and which banks should participate in it. Some people were in favor of forming a federation, an association, or an organization. However, those in charge of the meeting and those participating in it were definitely opposed to the meeting being more than a gathering during which wholesome approaches for coordination and cooperation could be discussed rather than being a meeting which would lead to the adoption of definite policies, the purpose of which would be to oppose some other group.

The problem of which banks to invite to the meeting was solved by inviting those "banks which have engaged in tangible activity in the international financial market during 1981 in addition to the banks which attended the Washington meeting in October 1981," as was stated by the working paper submitted by the [Arab] Banking Organization. It was also clear that the expression "tangible activity" included the banks which were active in the fields of joint loans and securities in the international market.

Discussion at the meeting focused on two principal matters, which were:

1. The role of the Arab banking establishments in the field of international financing and international issues.
2. Discussing means of cooperation in the field of organization, services, and development of the level [of expertise] of those working in the banks.

Concerning the first matter, it appeared that there were two trends of thought with regard to the role played by Arab banking establishments. One group of people thought that it was necessary to link this role to Arab development. The other group, though, felt that these establishments should be allowed freedom of action in the international market which would be determined by purely commercial considerations, in order to avoid having them be accused of acting as a bloc at a time when Arab establishments should do their part in the international market without discriminating between this or that region of the world.

There was also an exhaustive discussion concerning the best approaches for achieving effective cooperation and coordination between Arab banking establishments. There were conflicting views with regard to how to define "cooperation" as opposed to "coordination," and concerning on what level cooperation should take place and how it should be achieved. In view of the fact that such discussions at such meetings [usually] take on an academic nature and sometime degenerate into sophistic arguments, those attending the meeting decided not to delve into these subjects with their ramifications and decided to content themselves with discussing one or two matters which they could agree upon discussing in detail so that they could emerge with the necessary recommendations. On the basis of this position, they agreed to discuss methods of cooperation and coordination in the following areas:

1. Joint loans and international issues.
2. Standardization of computer programs and data.
3. Creating areas for cooperation between Arab commercial banks and Arab international banks in foreign commercial financing operations.
4. Training and qualifying Arab employees to fill the higher positions in Arab banks.

The meeting did deal with studying these points and emerged with one clear fact. This fact is that the matters brought up must be reviewed, from the technical angle, by specialists before decisions or agreements are made concerning them, and the technical experts should study the matters which their specialized areas deal with and should present detailed reports to the group concerning them. It was agreed that the following banking establishments should be given the task of calling upon the experts to do this, carrying out the necessary steps to achieve coordination of the work being done, and submitting the final report:

1. The Gulf International Bank shall call upon, and coordinate the efforts of, specialists who will be dealing with joint loans and international issues.
2. The Arab Banking Organization shall call upon, and coordinate the efforts of, experts who will be studying computer programs and the standardization of computer systems, and this shall take place in cooperation with the Federation of Arab Banks.

3. The National Bank of Abu Dhabi shall call upon those in charge of the Arab commercial banks to discuss the best approaches for cooperation with the Arab international establishments concerning the financing of foreign trade.

4. The Arab Bank Ltd., in cooperation with the Bank Training Center in Bahrain, shall study the best programs and approaches for providing training for [Arab] employees in Arab banks on all levels, with the emphasis being on preparing these employees to occupy administrative, executive, and leading positions [in these banks].

On the basis of an invitation from Mr 'Abd al-Wahhab al-Tammar, chairman of the board of the Kuwait Foreign Trading, Contracting, and Investment Company, it was agreed to hold the third meeting in Kuwait next September or October in order to discuss the reports to be submitted by the Coordination Subcommittees. It was also agreed that those to be invited to the third meeting should be [the representatives of] the highest-ranking 20 Arab international financial establishments on the list of the world's most active international banks in the field of joint loans, as well as the highest-ranking 5 Arab financial establishments on the list of banks most active in the field of international issues.

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FISCAL BELT-TIGHTENING IN REGION EXPLORED

Beirut AL-IQTISAD WA AL-A'MAL in Arabic No 38, May 82 p 11

[Article by Dr George Qurm: "The Dimensions of Fiscal Belt-Tightening in the Arab World"]

[Text] Fiscal and economic belt-tightening has become an urgent necessity in the Arab world--and not only in the oil-producing Arab countries. There are numerous reasons for this which it would be useful to discuss here, especially since the decrease in oil prices is perhaps not the most immediate and important of these reasons. This decrease in prices, although its burden will be lightened somewhat later on or perhaps even in the near future, assumes its scope only when we place it in the framework of the accompanying political factors and circumstances being experienced by the Arab world. One remark that should be made before entering into the details of the current political and economic situation is the fact that the Arab world, economically and financially speaking, did not suffer from the effects of the 1973 war. This was particularly true in Egypt and Syria because of the fiscal resources available at that time through raising prices via various official channels in order to rebuild the vital installations which had been destroyed during the war or because investment provided new capital from the private sector which constituted the source of capital in the oil-producing countries. The abundance of Arab capital all during past years caused the creation of a special climate among Arab leaders which inclined them to believe that everything could be solved by money. In the final analysis, this caused the Arabs to forget about the existence of economic, political, and production limitations which would have to be faced some day and which would jolt Arab society which has been living in the ecstasy of fiscal and commercial prosperity. It appears that these things have begun to come to light due to developments which are taking place in the international oil market. But these developments, as such, are only part of the general international and regional situation which, in all likelihood, will not move in a direction favorable to the Arab world. The most important factor in this general situation is the fact that the Palestine cause has begun to move along a street which has a dead end and the fact that no just solution is emerging to deal with Arab rights which have been usurped. We should not forget that both the 1967 and 1973 wars broke out mainly because of the stagnation and paralysis encountered in efforts to find a solution to the Arab-Israeli conflict. And the probability of war is increasing every day

because of the obstinacy of the Zionists and their persistence in pursuing their notorious expansionist plans. If another Arab-Israeli war occurs, there are numerous indications that its destruction might extend to including the Arab oil-producing installations. What Arab economic and fiscal plans are being made to deal with such a possibility? How will the Arab nations concerned with waging an economic and fiscal war be able to support the countries most likely to be involved in the war and military operations, as they were in 1973? One thing which complicates this situation is the money being spent on the Iraqi-Iranian war. Enormous amounts of money are being drained off into this war--the total so far being between \$35 billion and \$40 billion. This includes both what the Gulf countries have provided in the way of financial support and what Iraq has deducted from its fiscal reserves. If this is the cost of the Iraqi-Iranian war (without taking into consideration the financial burdens of future reconstruction), then what would be the cost of a fifth Arab-Israeli war? The circumstances of war and peace in the Arab world make it necessary, in no uncertain terms, to begin to pursue radical belt-tightening policies in order to be able to provide special fiscal reserves to support a war effort, in order to be able to deal with the burdens of reconstruction in the future, and in order to make the world feel that the Arabs are serious about dealing with international changes. There is one additional factor which supports an appeal to do this, and this is the fact that Arab capital invested abroad could become frozen or lost due to a worsening of the international fiscal situation and due to the fact that an increasing number of borrower nations might stop repayment of their international fiscal debts. We made mention of this in this magazine when talking about Poland's debts and the worsening of the problem of debts throughout the world (see AL-IQTISAD AL-A'MAL, No 35, February).

It should also be said that serious and sensible pursuit of a policy of belt-tightening is not something which is easy. It is no longer possible to say that the peoples which lived for hundreds of years without oil can easily once again adapt themselves to an austere desert life and not depend on oil reserves. The unlimited expansion in expenditures which has taken place in the Arab world, both for consumption and for building infrastructures, has created a social and economic life pattern which it would be difficult to give up. However, the issue of belt-tightening is, in fact, an issue which is essential to the utmost degree and extends beyond the above-mentioned serious considerations because the prosperity brought on by petroleum and the manner in which oil revenues have been spent in the Arab world have led to a situation where the Arabs have become violently inclined toward consumption to the total detriment of local production. Talk about the fact that Arab agricultural production has declined and about the increasing deficit in the food supply is something which has been heard thousands of times and has been repeated ad nauseam. Arab industrialization efforts have been channeled into gigantic projects which, from the technical point of view, totally depend on companies which do business on an international scale. In many cases [these projects and industries] are geared toward export. One result of this has been the decline in production by the private industrial sector and the expansion of the public industrial sector without its products and performance level being equal to and satisfying the basic needs of society--in terms of

either civilian or military needs. The sector which has prospered because of the leap in oil revenues has been that of commercial, financial, real estate, and tourism services, and this has been at the expense of the vital production sectors. For this reason, the Arab economy has become totally vulnerable vis-a-vis the outside world, and has come to be extremely dependent on, and subordinate to, this outside world. This is also something which is well known to us and which has been repeated to us over and over. However, this opportunity must be utilized to repeat it again in the hopes that someone will heed these words and see the issue within the framework of the dangers which surround the Arab world from all sides, especially in the eastern part of the Arab world. There is no meaning to a policy of belt-tightening which would not principally depend on the necessity of having the Arab countries once again enter the world of production after being apart from it all during the years of petroleum prosperity when they were totally concerned with acquiring consumer goods and building infrastructures. The policies of belt-tightening which have begun to be necessary for the oil-producing countries--both for the Gulf countries and the non-Gulf countries--will not be successful if they are pursued only within the framework of a temporary decrease in oil revenues and if there is no wise approach concerning the issue of war and peace, on the one hand, and concerning the necessity of once again having the Arab countries be real producers and curtail their pattern of unbridled consumption, on the other hand. The fact is that the issue of war and peace cannot be seen in isolation from the issue of production.

Entering into a state of war without having the economic and fiscal fitness to engage in such a war inevitably means following the path of defeat--both diplomatic and military defeat.

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ARAB 'MONEY WEAPON' DISCUSSED

Beirut AL-IQTISAD WA AL-A'MAL in Arabic No 38, May 82 pp 8-9

[Article by Salim al-Huss, former Lebanese prime minister]

[Text] For the last few weeks, in view of the worsening recession in the international oil markets which has been reflected in a continuous decline in the demand for oil in the Western markets and a consequently steadily increasing pressure [to lower] the prices of oil, we have been asking ourselves: What ever happened to the oil weapon which the Arabs used to brandish? And today, after Britain's decision to freeze Argentina's assets in London because of the crisis which has broken out between the two nations concerning the Falkland Islands, we find ourselves asking: What happened to the money weapon which the Arabs used to fancy that they possessed?

Yes, after New York we have London.

The Arabs received a rude shock when the United States froze Iranian assets in U.S. banks as a response to the taking of U.S. citizens hostage inside the U.S. Embassy in Tehran. A startling reality loomed in front of large Arab owners of capital, whether they were governments, corporations, or individuals. This reality is the fact that the capital which they have in the international financial markets is not absolutely safe from the repercussions of political developments between the nations to which the owners of Arab capital belong and the nations where they deposit and invest their capital. In fact, they realized that their capital can be used as a weapon against them if relations, for any reason at all, deteriorate between the Arab nations and the large nations in whose markets this Arab capital is being kept. The Arabs are the ones who smugly believed that their capital was a weapon in their hands alone. So far they have not unsheathed this weapon because they, of their own free will and for various reasons, have chosen to keep the weapon in its scabbard. Or at least this is the prevailing impression among many Arabs.

Today's decision by the British to freeze Argentine assets in London reminds us once again of the unsure situation [of the Arabs]--if there was anyone among us who had forgotten it.

In the 5 April 1982 issue of THE FINANCIAL TIMES, we read the following:  
"The decision by the British government to freeze Argentine assets in the

United Kingdom will present the international banks doing business in London with important problems. This is the first time that the British government has taken measures to freeze the assets of another nation in London since November 1965, when Rhodesia unilaterally declared its secession [from the British Empire]. A number of bankers have expressed their concern that this step might tarnish the reputation of the city of London as a neutral international financial center."

The measure referred to above prohibits banks from paying or transferring capital from London on the basis of instructions from the Argentine government or any Argentine resident. This was a response to the dispute which arose between Argentina and Britain concerning the Falkland Islands which were under British rule and which Argentina then militarily occupied.

At this point we do not want to delve into the basis of the crisis surrounding the Falkland Islands, nor do we want to discuss the position of the two nations opposing each other. This is not the place to do that. We already know that the matter has been brought before the UN Security Council and that it has taken the position of calling upon Argentina to immediately withdraw its forces from the islands. Regardless of the right which one nation is asserting or the claim adhered to by the other nation, the thing which makes us pause and think is the fact that Arab capital wealth is subject to the danger of being frozen by means of measures taken because of political motives. Consequently there is the danger that this wealth will be used as a weapon against its owners instead of being used as a weapon in their hands.

We have never considered that it is easy to use money as a weapon. Using it as a weapon is more difficult, more critical, and more complicated than using oil as a weapon. This is true due to numerous considerations, of which we mention the following:

1. Quantities of oil which are produced and transported are something, the details of which are public and openly known, and it is difficult, if not impossible, to conceal these details. But due to the nature of capital transfers, it is difficult, if not impossible, to restrict the channels of capital transfers, to keep track of the means by which capital flows in and out, and to find out the volume of capital being transferred. If the money weapon were unsheathed in the face of one or more nations, it would, in practice, be impossible to ascertain the degree of compliance with the measure taken and how much effect it is having on the flow of capital from one country to another and from one financial center to another.
2. The owners of large capital funds are not organized within a comprehensive organizational or cooperative framework on a level which would enable them to set policies and follow up on them, that is, they are not organized as are the oil-exporting nations which rally around the banner of OPEC. Consequently, a decision concerning monetary matters quite often does not have the force of a unified collective position as is the case with a decision taken concerning oil matters.

3. The various financial centers in the world are interconnected and inter-linked to a degree which, of course, makes it exceedingly difficult to control the flow of capital from one financial center to another. For example, if one particular financial center is boycotted, this does not guarantee that the capital in it will not flow out and circulate in another financial center. This is especially true if the funds concerned are registered in the currency of the center which is the target of the boycott. Thus it is difficult to imagine the possibility of doing business with the pound sterling on a large scale without London's financial center, or doing this with the French franc without the financial center in Paris, or doing this with the Swiss franc without the financial centers in Zurich and Geneva, or doing this with the dollar without the financial centers in New York and London.

Since it is a fact that the dollar occupies first place among the currencies of the world in the world currency market, the result is that New York and London [jointly] occupy first place among the financial centers of the world. They are the two financial centers which apparently cannot be dispensed with by those who deal in capital internationally. In these two financial centers, more than is the case at other financial centers, money appears to be a weapon which can be utilized not by the owners of capital, but rather against the owners of this capital. This actually happened once to Iran in the New York market, and has also happened to Argentina in the London market, as we have already mentioned.

All of these considerations and other considerations clearly demonstrate that the ability of the Arabs to use money as a weapon against their opponents in the struggle to defend their vital causes is not something which can be taken for granted. Certainly it is something which is fraught with practical complications and difficulties which are not normally a problem when using oil as a weapon. When I say "normally," I mean the case which we have seen so far when the reins of control of the oil markets were in our hands, as was the case for many years and has been the case until very recently, as we saw during the 1973 October War and later on when the oil weapon was unsheathed to a limited degree. It is necessary to endeavor to use all means to regain these reins of control.

All of these considerations are valid, and I would like to add to them one additional consideration which often is considered to be a decisive one. This consideration is the fact that the Arabs, if they use the economic weapons which are in their hands, would be subject to a response on the part of the Western nations--and from the United States in particular--which would use the food weapon or other weapons against them. The Arab world, to a great degree, depends on importing many of the foodstuffs which it needs. This possibility also means that the Arabs should be prepared to make the [necessary] calculated sacrifices in any struggle which they engage in in which they utilize their economic weapons. Is there any battle which does not demand sacrifices? Do we want to strike with our swords without moving our arms? When we talk about sacrifices, we insist that they be sacrifices which are measured and calculated. What decision can be a serious one without reflection and planning, and thus without conscious calculations?

If all the above-mentioned considerations force us not to take lightly the possibility of using Arab capital as a weapon, they still do not mean that the possibilities do not exist or are not forthcoming. They mean that using such a weapon should be something which is carefully planned and its risks and costs should be taken into account. Also, the use of such a weapon should be linked to other measures and steps which reinforce and supplement it. But one thing would be difficult to endure--and that is that Arab wealth, whether in the form of money or oil, not only would become a weapon which has been put out of commission, but also a weapon which is only used against the Arabs.

9468

CSO: 4404/496

FOREIGN INVESTMENT SEEN AS TEMPORARY

London Al-HAWADITH in Arabic No 1333, 21 May 82 p 55

[Article: "Investments by Arabs in Foreign Countries Are Temporary!"]

[Text] A report issued by the United Arab Emirates Central Bank has stated that the government is earning a net annual income of about \$1 billion from investing in foreign assets.

The report added that this income has come to constitute one of the basic elements of strength which the [country's] balance of payments enjoys.

At the same time, the governor of the Central Bank in Abu Dhabi, 'Abd al-Malik al-Hamr, called for the creation of a type of balance in the distribution of Arab investments abroad. He said: "The fluctuations in currency exchange rates and interest rates, as well as the political risks which exist, have made investment in the Arab countries more attractive than investment in the Western countries in the long run."

Concerning this matter, it is important to consider the Saudi position, which has been summarized by the Saudi minister of finance, Shaykh Muhammad Aba al-Khayl. He has said: "Our investments abroad are not considered to be a long-term source [of financing] for us. The economic yield obtained from domestic investments is always better than that obtained from foreign investments, even if the yield is smaller!"

He went on to say: "Our presence abroad as investors is a temporary presence. It will gradually disappear with the increase in our capability to absorb investments."

9468

CSO: 4404/496

LOW PRICES OF OIL IN OAPEC COUNTRIES CRITICIZED

London AL-HAWADITH in Arabic No 1333, 21 May 82 p 55

[Article by 'Adnan Karimah: "Arab Unity in Fuel Prices!"]

[Text] The experience of the industrial countries has demonstrated that lowering the prices of fuel is an important element in encouraging an increase in undisciplined consumption of energy, which sometimes even reaches the levels of squandering and waste. They have found that the solution to this problem is to greatly raise the prices of fuel and that this leads to a decrease in consumption--in fact it has led to rationing in some countries. This equation is nothing new for the oil-producing Arab countries. However, this equation has not been applied, in spite of the appeals that have been issued by a number of conferences and symposiums calling for working toward guidance and control of energy consumption.

"Squandering and waste" in the consumption of petroleum products in the oil-producing nations themselves is a normal thing and is something which, economically or socially speaking, has not been taken into consideration. Statistics indicate that the increase in total consumption on energy (92 percent in the case of oil and gas) during the seventies amounted to an average increase of 13 percent per year. In the case of some of the principal oil-producing countries, this increase was [an average of] 17 percent [per year]. Experts have warned that a continuation of such increases in the rate of consumption means that, by the year 2000, more than half of the oil produced by the Arabs will be consumed locally.

The average consumption of energy per person [per year] differs greatly in the various Arab countries. In the case of some of them the average consumption of oil does not exceed 100 kilograms. Naturally, there is a great difference in consumption between the countries having a high income and those having a low income because the countries having a low income set far higher energy prices than do the countries which produce oil.

The tremendously low prices of petroleum products in the OAPEC nations, in fact, constitute a subsidy which is tantamount to the difference between the local prices and world prices. As consumption goes up, so do the subsidies, and it is estimated that these subsidies will, in the year 1990, total hundreds of millions of dollars in the case of the OAPEC nations which consume

the least oil and will be billions of dollars in the case of the OAPEC nations which are the greatest consumers of oil. Here we should bear in mind that low prices actually conflict with the appeal for the necessity to raise actual prices as a means of limiting consumption on the international level, the objective being to preserve this basic source of wealth and prolong its life.

Of course, the only way to eliminate this contradiction is to raise local prices to where they reach the international price level. Such an appeal was made during the latter half of the seventies. During the two Arab energy conferences, the first of which was held in 1979 and the second of which was held in March of 1982, there was a clear warning of the dangers of what would take place [if local prices on petroleum products were not raised]. But it appears that the latest oil crisis, which has resulted in an international recession and forced the oil-producing countries to greatly decrease their production, and consequently brought about a decrease in their [financial] resources, [may have caused these countries to finally take some action].

Kuwait was the first oil-producing nation which doubled its local prices after the increase in annual consumption rate reached levels of 25 and 35 percent--according to Kuwait's oil minister, Shaykh 'Ali al-Khalifah [al-Sabah]. This means that consumption has been doubling every 3 years.

Here it should be pointed out that the rate of energy consumption per person in Kuwait is considered to be one of the highest in the Arab world. It amounts to 50 barrels of oil per year. The Kuwaiti minister admits that the previous prices constituted a burden for the national economy. Revenues from the sales of some of the products in the domestic market were not even able to cover distribution and marketing costs. At a time when these products were selling in the world markets at prices ranging between 85 and 95 Kuwaiti fils per liter, the domestic prices were costing the government about 80 fils per liter. In spite of the fact that these prices have recently been doubled, the state is still paying a subsidy of 40 fils for each liter which is sold for domestic consumption.

There is no doubt that Kuwait's financial and economic situation is better than the situation of other oil-producing nations. Therefore it is necessary for these countries to embark upon raising the prices of their petroleum products in order to lighten the economic burdens which [their national economies] have begun to feel.

Perhaps the best method of establishing reasonable prices from the economic and social point of view would be to adopt standard prices [for petroleum products] throughout the Arab world. But is this something which can be brought about?

Everyone knows that it is impossible to have such standard prices throughout the Arab world because of the great disparity in financial resources between the oil-producing nations and the non-oil-producing nations. But everybody

also knows that, in the case of the Gulf countries, the standardization of such prices on a regional level, which could be brought about by the GCC, is something which is possible because of the similarity in the economies of the six member nations in the GCC.

9468

CSO: 4404/496

INTER-ARAB AFFAIRS

BRIEFS

CEMENT COMPANY TO INCREASE OUTPUT--The Saudi-Bahrain Cement Company is to increase output to two million tonnes in 1983. A report said that the joint company was established last year with headquartesr in Aindar in the eastern province of Saudi Arabia. The company sold 341,000 tonnes of cement during the first quarter of this year. Following a board meeting held in Bahrain recently, it was announced that thought projected capacity is 1.8 million tonnes, the company is now to undergo a major expansion in the next two years. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 34]

CSO: 4400/354

## BRIEFS

OIL TANKER DEMAND UP--London shipbrokers, Lambert Brothers, in their latest world trade review, stated that the expected rise in OPEC's share of world refining in the next ten years, should help stimulate the demand for oil tankers. At the present time the oil importing western industrial countries account for more than 50 per cent of the world refinery capacity, whereas the 13 members of OPEC account for only seven per cent, according to the review. The review adds that there will probably be a restructuring of the products marked by the middle of the 1980's, as OPEC countries begin to introduce new and more sophisticated refineries, to provide a more flexible mix of products than the older refineries in the west. Despite the expected zero growth in world trade, the review said that OPEC's exports of oil products to Europe may be as high as one million bpd, bringing additional demand for two million tonnes of shipping. The review predicts a balance in supply and demand for tonnage of products, by 1985, at about 35 million tonnes worldwide. A greater amount of this tonnage would be shared by OPEC countries, it said. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 53]

CSO: 4400/354

## DEPARTING PROSECUTOR EXPRESSES VIEWS ON VARIOUS LEGAL ISSUES

Cairo AL-AHRAM in Arabic 28 Jun 82 p 3

[Article by Rajab al-Banna: "Before Gathering up His Papers, the Public Prosecutor States That There Should Be a Judiciary Police: Otherwise Court Sentences Will Remain Unenforced and Will Lapse With Time"]

[Text] Ordinarily, journalistic interviews take place with people in high positions when they assume their jobs, but today we are presenting this conversation with a man in a position of responsibility who is preparing to leave his post. It is an extremely serious, sensitive post, that of the public prosecutor.

Before gathering up his papers and leaving his office in the Supreme Court Building, where he has spent 3 whole years in the position of public prosecutor, Counsellor Salah al-Rashidi submitted a report in which he frankly summarized his judiciary experience, which spanned a long period -- 37 years exactly, of which 22 full years were in the public prosecutor's office, where he started at the bottom of the ladder, in the position of aide to the prosecutor's office, finally spending 3 whole years at the summit.

In his report, Counsellor Salah al-Rashidi stated his explicit views on the problems of the prosecutor's office and the judiciary, on loopholes in the laws, on ways of overcoming the endemic ailment which we call "sloth in hearing cases in Egypt," and on ways to protect public money from tampering and speculation. At the end he recorded his response to a question no one had asked him, which was: "What did you do during your 3 years in the public prosecutor's chair?"

The public prosecutor stated that the time had come to establish a judiciary police in Egypt, subordinate to the Ministry of Justice, to take charge of guarding courts and enforcing sentences as soon as they are issued, by way of a change from the current situation, which everyone is complaining about, where sentences are not carried out but lapse because of statutes of limitations, and courts are exposed to strange forms of tampering with cases and places where documents are kept as a result of negligent custodianship and a lack of rules on entry into those places.

He stated that the time had come for the prisons to be put under the Ministry of Justice and to have real, total supervision, instead of the type of supervision that exists now, which does not allow them the freedom to act and correct mistakes. Many countries in the world put their prisons under the Ministry of Justice.

He said that the time had come to eliminate laws the country no longer needed and thus to reduce the heaps of laws that no one could assimilate any longer, learn to carry out, or learn to commit themselves to. Some of them are without parallel anywhere in the world.

He stated that the time had come for Egypt to initiate a system of judiciary specialization paralleling that in the advanced world. A system for this was previously set forth but then was neglected, but it is necessary. The existence of judges specializing in civil cases, criminal cases, personal status or taxation, for example, is the only way to perform work thoroughly and proficiently on the one hand, and, on the other, it will be a solution to the problem of delays in hearing cases, because specialized judges are better able to understand problems, become apprised of their various aspects and make rulings on them, because of the longstanding expertise they have and the material they have acquired through practice in their field. In order for us to produce specialized judges, Counsellor Salah al-Rashidi considered that their specialization should start in the Faculty of Law, where studies should be extended by a year: students would spend the first 3 years in comprehensive general studies then specialize in civil law, criminal law or administrative law in the last two. There was nothing odd about this approach, because it was now being followed in engineering faculties. Can we imagine that it is easier to prepare a man of the law, whether he be a judge or a lawyer, than to prepare an engineer? Specialization is the most important and distinctive feature of this era.

#### A Deficient Law

Counsellor Salah al-Rashidi said that experience had proved to him that the law on unlawful gain, in its current form, was deficient, and the proof of that was that after 10 years of application it had not managed to crack down on people who trafficked in official positions and jobs or exploited their influence in order to realize illicit gain. In his opinion, there were numerous necessary amendments. One of them for example was that we should restore the office of the public prosecutor's jurisdiction over the presentation of cases on unlawful gain to criminal courts. What was happening now was not consistent with logic.

What happened now was that judiciary bodies investigated the statements which every employee or person in high position made on his wealth every 5 years. The bodies made a comparison of successive departments and if they considered that a sudden large increase in a person's wealth had been confirmed they conducted an investigation into him then made a decision on handing him over to criminal court, their connection with the issue was then totally severed, and the office of the public prosecutor then became the body responsible for following up on the case in court, directing charges and filing cases. How could we be responsible for directing charges against persons whom we had not investigated, not having examined the subjects of the accusation or the subjects of doubt or innocence ourselves?

Wasn't it logical that we should establish an agency which would investigate the wealth of people in positions or at high levels, that what they are hiding should become known to us, that they should show us their property and the signs of their sudden wealth, and that the task of the judiciary authority, if it considered that there were grounds for an indictment, should then be to hand them over to the office of the public prosecutor to take charge of the investigation, appoint experts and file criminal cases if it considered that the evidence for an indictment was sufficient?

The public prosecutor said, "The current situation, with its proliferation of investigative and indicting bodies, must not continue. I have stated in more than one memorandum that one body, namely the office of the public prosecutor, must be concerned with criminal cases. Thus it is not right that the judiciary body concerned with unlawful gain should file criminal cases, because this involves a confusion and duplication for which there is no justification. I have stated that the hands of the office of the public prosecutor are tied, because the Law on Improprieties specifies particular crimes which the prosecutor's office cannot investigate or whose perpetrators it cannot hand over to court unless the socialist prosecutor requests it to do so. I cannot imagine that this situation, which makes the prosecutor's office's exercise of its areas of specialization dependent on the requests it receives from outside, can remain. I stated that the Law on Impropriety gives the socialist prosecutor the authority to prevent action, and this is an area of specialization of the office of the prosecutor, according to the Law on Criminal Procedures. The strange thing is that some people have imagined that the issue is a personal one. Everyone knows that the socialist prosecutor is my friend and that we have become accustomed to stating the truth objectively, far removed from the influence of personal feelings, in our judiciary activity. It is the truth that most deserves to be followed always."

#### Why Are We Tightening up Punishment?

The public prosecutor said, "Do you want to know the truth? I have warned, and I still am warning, that we always tend to tighten up the punishments in every law, to the point where the punishments have sometimes become greater than the crimes. Take as an example the Traffic Law; can we imagine that tightening punishments up to the point of big fines and even imprisonment will be the solution to the traffic problem? Will the violations disappear even if we make the punishments stiffer and stiffer?"

"Listen: amending legislation, and tightening up punishments, must be our last resort in resolving any problem. In traffic, for example, have we arranged places to park before amending the law to tighten up on punishments? Have we built enough garages? Have we thought about keeping cars from going into streets in the center of the city, as is the case in some countries in the world? I recently came back from Vienna where I observed that they have turned an area in the center of the town into an area that is closed off to cars. Thus they have reduced violations and have freed up the streets for pedestrians, while setting places aside where cars can park close to the area. How can we ourselves allow cars to circulate in Sharif Street, 'Adli Street or "abd-al-Khaliq Tharwat Street, then be amazed when we see cars parked in prohibited areas or on the sidewalks, or moving slowly?"

"I would like to state that there are alternatives and other ways to remedy problems besides the way we consider to be the only one; which is to tighten up on punishments. In addition, we must think of intensifying punishments in the law only after giving adequate study to all the aspects of the problem and the causes and remedies to it. We have a glaring example of that here. We tightened up the penalties in the Narcotics Law to the point where they became as severe as the death sentence. Did we thereby do away with the drug trade? Why don't we ask ourselves, as well, how many death sentences have been issued against people dealing in drugs since the law was issued, and ask how many prison sentences have been issued against drivers for traffic violations? I said, and I still do say, that we need a new penal policy, and, if our goal is to scare people by tightening up punishments, if the scaring process goes beyond bounds it will turn against itself."

## In Order To Protect Public Funds

The public prosecutor said, "When I was a public attorney for public funds, this problem was raised in the People's Assembly, in 1971 and a factfinding committee was formed on this issue. I was a member of it and I presented the committee with numerous problems and solutions. I still hold to my opinion: there is no need for further laws to protect public funds. The existing laws are very adequate, and more than adequate. What we need first and last is morality. We also need good examples. As for punishments, we have carried them to the farthest degree. Do you want more than hard labor for life for embezzlers or hard labor for people giving bribes? Isn't that enough?"

"As to why we in the office of the public prosecutor delay investigations into cases of deviant conduct, that is a normal thing, because by their nature they require the help of experts. They contain hundreds of documents, and criminals often play around with documents. If we want to hasten to render judgment on the cases of deviant conduct that are in the courts, I recommended that departments be set aside in criminal courts for cases involving public funds so that we can provide speed and specialization for these cases at the same time. We now complain that cases of such deviant acts as bribery and forgery are reviewed along with various other cases and that there is not enough opportunity for the courts to study and render rapid judgment on them."

## Let Us Achieve Speedy Justice

"Why do you ask for speedy justice but fail to consider the hundreds of cases that are presented at a single session? Do you want a solution? We have demanded that the public prosecutor's office play a role in preparing cases before the general civil courts or courts of appeals, through the same system that is now being applied in the court of cassation. We have the office of the prosecutor of civil cassation: and for every case which this prosecutor investigates, and whose evidence is assembled and summarized, a legal opinion is set forth; that is then presented to the court and the preparation period is completed. If we adopt this system in the civil courts, we will be saving the judges' time, because only cases that are ready for a verdict will be presented to them. The prosecutor's office takes charge of the entire preparation stage, from the exchange of documents among litigants to the exchange of memoranda and the preparation of legal briefs related to disputes. After that, a case before the court will need no more than two sessions to be heard, and then a verdict will be issued on it."

"If we adopt this system, we will not be hearing about cases that remain in the courts for 10 years and we will also be turning the office of the civil prosecutor into a factory to prepare specialized civil judges. The civil judiciary requires study, expertise and patience, and if we adopt this system we will be able to give the deputy prosecutor the power to issue performance orders, same as we have given it the authority to issue criminal orders on violations and minor misdemeanors in criminal jurisdictions. This will all alleviate the burdens weighing down the judges."

"We must think quickly about this solution which I have presented, because it is not reasonable that we should put 200 cases before a judge at a single session and ask him to rule on them. It cannot be in a man's power to assimilate all these various problems, with all their ramifications, in a single session. I have visited some courts in foreign countries and have been surprised to find the judges reviewing cases

which are no more numerous than the fingers on a hand at one session. When they asked me about the number of cases an Egyptian judge reviews at a single session, I told them that these on the average exceeded 100, and they told me, 'The judges of Egypt are heroes!'"

#### Justice Is Appearance and Essence

The public prosecutor, Salah al-Rashidi, said, "I am in total agreement with the statement that justice is appearance and essence. Therefore I consider that we should conduct something resembling a national campaign to reform the role of the courts so that reverence for the judiciary and the judges may be achieved. I believe we should prohibit people from going into courts, except just the people who have cases; we should keep out visitors, people offering encouragement and people offering flattery, because the courthouses are not buildings for recreation and spending time; rather, they are edifices of justice which must be given reverence and respect, which is the case in courts in the advanced world. Do you know what happened to me when I asked to visit a court in Britain on my last visit? I went into the Old Bill criminal court in London with special permission from the chairman of the court; although they knew my function and offered me every facility, that is the system. No one who is not a party or is required to appear in a case can enter a court building without permission from the chairman of the court. Here, however, the rooms and halls of the court are like the Birthday of Our Lord al-Husayn.

"Since justice is appearance and essence, I would like to have a single response [sic] to which the members of the judiciary and the prosecutor's office would commit themselves in the sessions, rather than relying on the current dress, which I consider is not adequate to achieve reverence for the judiciary and the judges.

#### This Is My Balance Sheet

"What have I done in the 3 years I have spent as public prosecutor?"

"During these years, the office of the prosecutor started to work night and day to accelerate the review of urgent dossiers and immediately review the cases of arrested persons; activity in the prosecutor's office started to last until 1800 or to 2200 hours every evening, and urgent cases no longer were put off until the next morning. After the success of this system in Cairo, Alexandria and Giza, we managed to apply it in all the governorates of Lower Egypt and some governorates of Upper Egypt. A system still must be carried out which is integrated with our system, by holding evening court sessions to review urgent cases so that people in prison will not remain unsentenced even for one night.

"The offices of the prosecutor in every location in the republic are now in instantaneous communication with the office of the public prosecutor at all times, night and day, on holidays and on vacations, in order to inform it of important incidents and cases and review urgent issues immediately. I have arranged to have public attorneys in my office at all times, because I consider that the work of the prosecutor's office knows no rest or holidays.

"Since the legislation which was issued in the recent period has been greater than man's power to keep up with it, I have gathered all the information in a single compendium which is now available to all the men in the prosecutor's office in order to unify

procedures and facilitate decisionmaking. In order to guarantee increased surveillance of judiciary achievements by the prosecutors' offices, I have raised all the grades of public attorneys in the offices of the prosecutors of appeals to the grade of senior public attorney, the grades of the heads of the general prosecutors' offices to the grade of public attorney, and the grade of the head of the Cairo narcotics prosecutors' office to the grade of public attorney. In order to guarantee supervision and oversight over prosecutors' office employees, I have raised the grade of the director of the department of the prosecutor's office to that of senior public attorney and have established a grade of public attorney for the department deputy.

"It has been my concern that the prosecutor's office should always work and move speedily to the site of the incident in every investigation. I now feel that I have done my duty, and my conscience is at rest."

11887

CSO: 4504/383

## CENTRAL BANK INITIATES NEW INTEREST POLICY

Cairo AL-AHRAM in Arabic 29 Jun 82 p 9

[Article by 'Abd-al-Rahman 'Aql: "The Central Bank Announces the Guidance of Economic Activity through Interest Rates on Loans for the First Time "]

[Text] In keeping with the policy of gradually increasing the interest rate, which the board of directors of the Central Bank has been pursuing by stages since January 1976 in order to support the effectiveness of the interest rate as an instrument of monetary policy in attaining economic stability and in order to contribute to the development process by developing savings deposits and guiding the use of local credit, the Central Bank has prepared a study on the possibility of establishing an interest rate that varies in accordance with sectors of economic activity.

In this regard, the Egyptian Central Bank's board of directors has issued Decree 1209 for 1982 dated 24 June 1982 on varying interest rates on deposits, loans, credit and discounts in Egyptian pounds. On that basis, Muhammad Shalabi, the governor of the Egyptian Central Bank, has issued Decree 45 for 1982, which entails: A 1 percent rise in Central Bank interest rates and discounts on ordinary activities, raising those to 13 percent per year, while keeping the rate for refinancing export activities and discounts on export bonds as it is (10 percent per year), in the desire to encourage banks to finance various exports activities at privileged rates.

The establishment of the following interest rates on loans, credit and discounts given by banks registered with the Egyptian Central Bank:

The sector of industry and agriculture, a maximum of 13 percent per annum.

The service sector, a minimum of 13 percent per annum and a maximum of 15 percent per annum.

The trade sector, a minimum of 16 percent per annum and no maximum.

These banks may demand a late payment penalty of 1 percent per year when necessary, and the interest rates contained in this law will be in effect for new contracts.

'Ali Najm, the deputy governor of the Central Bank, stated "The increase in deposits and savings, which amounts to 21 percent, could result in a fluctuation of 300 to 400 million pounds in savings. That also confirms the fact that there is a philosophy behind the modification of the structure to be used starting July 1982. The increase

was not absolute, but it came about to conform to the nature of all activity; for example, a rise in bank passbook savings interest to 10 percent was behind it. This savings channel represents a broad base of savers who are spread about through the various areas of the republic, and it is well known that the interest on these pass-books was 8 percent. In addition, this structure will help encourage long-term savings; interest for a year or less will be 11 percent, that for from 2 to 3 years will be 12 percent, that for a period of from 3 to 5 years will be 12.5 percent, and that for a 5-year period will be 13 percent. The discrepancy in interest rates for various periods comes to 0.5 percent, which will make many people think of directing their money toward longer periods.

"The interest rate on investment certificates and the postal savings fund will be increased by 1 percent."

'Ali Najm said that the change in this structure, which is aimed at obtaining further savings, is an invitation to banks to invest their funds in plan projects through loans or contributions to development projects. 'Ali Najm added that the board of director's decree also stipulated that activities bearing on refinancing of export operations and discounting export bonds would continue to function at the applied interest rate, which is 10 percent a year, without change. (These activities are carried out through the Central Bank for commercial banks). If the commercial banks finance export operations, the interest rate on loans and credits given to cotton trading and exporting companies for purposes of financing internal marketing or export activities or granted to other agents with the objective of financing export activities preceding the loading process will be set at a maximum of 13 percent per year.

#### We Have a Comment

The Central Bank's decree raising the interest rate by varying degrees, according to the sector and its importance in contributing to economic activity, conforms totally to the reality of the economic situation as the general budget of the government has portrayed it.

Attracting savings by increasing interest rates on deposits and savings and reducing the interest rate on loans for productive activity means, in part, applying self-reliance in practice, and it entails a serious, real confrontation of our economic problems, which impose appropriate rates of development, payment of general debt obligations, support for the public sector and the provision of stability for people working the the government upon us.

These are all inevitable developments, and there is no way around arranging the necessary credits for them.

The recent technique of raising rates will encourage further bank loans or contributions to participation in development plan investments aside from the government budget.

11887

CSO: 4504/383

## FOREIGN, DOMESTIC POLITICS ANALYZED

London WEST AFRICA in English 28 Jun 82 pp 1685-1686

[Article by Howard Schissel: "Stability for the Time Being"]

[Text]

RARELY SINCE the outbreak of the Western Saharan conflict in 1975 has the diplomatic situation been so favourable for the Islamic Republic of Mauritania. Although senior officials in President Mohammed Khouna Ould Haidalla's regime are convinced that Morocco has not abandoned the idea of destabilising Mauritania, recent government changes in France and neighbouring Senegal have taken much pressure off Nouakchott.

A sign of the improved relations between Mauritania and France was President François Mitterrand's "technical" stop-over in Nouakchott in May on his way home after his first official trip to sub-Saharan Africa. Symbolic as his four-hour stay may have been, it convinced President Haidalla that Paris viewed his government as a key element in the region's stability, and also served as a warning to King Hassan, whose claim that Mauritania abets Polisario guerrillas ostensibly operating in the northern part of the country is viewed as an eventual pretext for Moroccan military operations against the country. France, in particular, has stepped up its economic assistance and military aid.

The retirement of President Leopold Senghor in January 1981 and his succession by Abdou Diouf was warmly welcomed in Nouakchott. Senegal's first President, a staunch supporter of King Hassan as well as a close personal friend of deposed President Moktar Ould Daddah, intermittently threatened to reactivate a secessionist movement amongst the black population living on the Mauritanian banks of the

Senegal river. Now, Diouf has renounced such an option, and sought to adopt a more balanced policy towards the forces involved in the Saharan imbroglio. In addition, Diouf has put a damper on the activities of the Mauritanian opposition movement, *l'Alliance pour une Mauritanie Démocratique* (AMD), who used Dakar as a base for a coup attempt in March 1981.

Cracks in relations with Algeria have been papered over, with President Chadli Benjedid's government providing both economic aid and support for the Mauritanian armed forces. Mauritania has sought to stick to its diplomatic line which recognises Polisario as the sole legitimate representative of the Sahrawi people, but has not joined the other 26 African states in the Organisation of African Unity (OAU) in according official recognition to the Sahrawi Arab Democratic Republic (SADR). There is no doubt that Mauritania is in favour of the SADR joining the family of African nations, but given its inherent weakness, the government has sought not to further alienate Morocco by openly siding with the Sahrawi. Western diplomats, having visited the northern part of Mauritania, bordering Algeria and the Western Sahara, make no secret of the fact that the Mauritanian armed forces are actively patrolling this stretch of desert wasteland in order to prevent guerrillas from setting up permanent base camps.

Having totally withdrawn from the southern third of the ex-Spanish Sahara, the Mauritanian armed forces still occupy the key outpost of La Guera, some five

kilometres from their principal economic centre at Nouadhibou. The government has said that it will maintain control over the port until an acceptable diplomatic arrangement to the Saharan conflict has been reached. Most of the 18,000-strong armed forces, a tremendous financial burden for an impoverished nation like Mauritania, are based in the north, in a 1,000-kilometre arc stretching from Nouadhibou to Bir Moghrein. Mauritanian officials told your correspondent that as long as the war in the Sahara continued sacrifices would be made to maintain the army in a state of readiness, for it is the sole guarantee of national independence and unity.

The armed forces are also firmly camped in power since the overthrow of Ould Daddah in July 1978. After a two-year period of instability which saw Mauritania have three prime ministers and three presidents, Lt-Col. Ould Haidalla appears to have consolidated his hold on power. The last menace to his rule was an aborted coup in February led by ex-President Mohammed Ould Saleck and former Premier Sid Ahmed Ould Bneijara. Although the plot was easily foiled, it was a severe blow for Haidalla since it was the first time that senior military and civilian personalities who had contributed to Ould Daddah's downfall, turned against him.

The Saleck-Bneijara coup attempt was based more on personal and regional grudges than purely political issues. Neither appreciated having been sidelined from the centre of power and both resented the predominance of northerners in Haidalla's government. The two originate from the Hodh region, in the extreme south-eastern part of the republic close to the frontier with Mali, which considers that it is being short-changed in the distribution of senior posts and government patronage. Behind the Saleck-Bneijara tandem other political forces were in the wings. It seems that they were discreetly encouraged by the pro-Iraqi clan in Nouakchott which reckoned that it would be easy to replace them once Haidalla had been eliminated. A Baathist dominated government would then have steered Mauritania into a more pro-Moroccan alliance. In recent months, the prominent pro-Iraqi politicians, like presidential advisor Mohammed Ould Breidelleh, have been arrested.

Another consequence of the last coup attempt was to reveal the ideological and political shortcomings of the Haidalla regime. His main ally within the ruling Military Committee of National Salvation (CMSN) is Prime Minister Maaouya Ould Taya, with Yall Abdoulaye, commander-in-chief of the armed forces, being his principal conduit in the black population.

Haidalla has ruled by becoming a sort of arbiter between the diverse ideological strands which constitute the Mauritanian body politic, playing one off against another, and cutting down to size any clan which emerged as a contender for power. He has created, therefore, a dangerous political vacuum around himself and has yet to propose a well-defined political project or mobilise the energy of Nouakchott's political elite. Gravitating around Haidalla is a loose coalition of forces hoping to coax the military regime into adopting a more progressive stance. It includes:

*Le Mouvement du 10.11.78* is composed of progressive nationalists having plotted with the military the overthrow of the Daddah regime. Usually included in their ranks are Mohammed Ould Zamel, Minister of mines and energy, and Mahjoub Ould Boye, Minister of housing and water and the progressive faction within the army symbolised by officers like Lt-Col. Moulaye Ould Boukreiss, deputy commander-in-chief of the armed forces.

*Le Mouvement Nationale Democratique (MND)*, the left-wing movement tinged with Marxism-Leninism which dates from the late 1960s, now has many cadres in important posts in the administration and armed forces. It is one of the few movements in Mauritania whose membership can boast members of both the Moorish and black communities.

Arab nationalists of the Nasserite stamp who support eventual union with the SADR and more radical social reform.

*El Hor (Free Man)*: Composed of former slaves known as Haratine, this movement threw its weight behind the Haidalla regime when it officially abolished slavery in 1980. It is composed of soldiers and civilians who reckon that they have a crucial role to play in shaping Mauritanian society once the Saharan conflict has been settled.

To coalesce these diverse forces into a more coherent grouping, the military committee has set up the embryo of an organisation which could eventually blossom into a political party, and lead the country back to civilian rule. Known as the "structure for the education of the masses", it has a four-member Executive Committee whose function is to prepare the groundwork for future political developments. Mauritania's future still remains highly uncertain, as was summed up by a prominent Mauritanian intellectual in these terms: "The Saharan sandstorm is far from over, and as nomads we are fully cognizant that as long as the wind continues to kick up the sand it is practically impossible to see in what direction you are advancing."

## BRIEFS

NEW FEED MILLS--Animals Feed Mills, a subsidiary company of Oman Flour Mills, began trial production recently, and jebel cattle in Dhofar have been the first to receive the protein-rich feed. The cattle will now have enough food supplies to last until they can return to natural grazing on the mountain slopes. The mill manufactures a mixture of cereals and protein, called 'complete ruminant feed', and also produces 15 other types of feed to cater for poultry, camels, horses, sheep and goats. The mill, which has a production capacity of 10 tonnes per hour, will produce about 30,000 tonnes of feed annually, but can be extended to 60,000 tonnes. The mill is, at the present time operated manually, but will soon be governed by computer. The plant requires only two persons to run it, although a number of staff are employed in the packing and delivery departments. Machinery was supplied and installed by Buhler Brothers of Switzerland, at a cost of some 7.5 million dollars. Manager of the plant, Ian Watson, said that the plant could manufacture any special type of feed. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 52]

TAIWAN TRADE--A 22-member Taiwan trade mission visited Oman recently, to explore possibilities of boosting trade between the two countries. Oman and Taiwan already have an extensive market in trade. Last year the figure for the total import and exports between the two stood at 40 billion dollars, according to Mark Wang of Taiwan's External Trade Development Council. This year's figure is expected to be around 48 billion. The delegation, on a two-day visit, offered Oman a number of goods, including clothes, electric and electronic goods, jewellery, toys, sporting goods, sanitary ware and pipe fittings. Taiwan has been doing business with Oman for over seven years, it's main export to Oman is electrical machinery, followed by plastic and rubber products. Taiwan imports a large quantity of it's oil from Oman. The group also visited Jordan, Saudi Arabia, Kuwait and Bahrain, their visit was organised by the Far East Trade Services, FETS. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 52]

GAS COMPANY REPORT PROFIT--In its first year of production, the National Gas Company, an Omani joint stock company recorded a net profit of 225,000 dollars with a turnover of 1.9 billion dollars. Speaking at the company's annual general body meeting held at the Al Falaj hotel, the outgoing Chairman of the Board of Directors, Mohammed Abdul Rasool al Jumali, said the company had a very successful start to its operations. He also revealed that in the current year, they had plans for expanding the current facilities to further improve the company's performance. The National Gas Company was incorporated on April 9, 1979 and commercial production began on January 1, 1981. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 52]

**FLOUR MILLS REPORT PROFIT**--The Oman Flour Mills Company reported record sales, of over three million dollars, for the month of February this year. Because of this, officials are exploring the possibility of setting-up another mill. Oman Flour Mills has been running at full capacity for three year years, and has been showing good profit figures. During the year ending June 30, 1981, the mills made a profit of 4.4 million dollars, while the profit for the current year is estimated at 4.8 million. The mills export large quantities of flour to the Emirates, as well as catering for the local market. The mills also trade in barley, wheat and maize. Last year, the mills' exports totalled 5.1 million dollars. Export figure stood at 333,000 dollars in February this year, compared to 264,000 dollars in January. The company was set up in 1976, and is 60 per cent government-owned, the remaining 40 per cent is owned by private shareholders. When the mills were first set up, the government held 93 per cent of the shares. The government reduced it's holdings last summer, when people noticing the company's large profits, became interested in buying shares. The company is headed by Barkat Ahmad Al Lamki, and is run by a nine-member board of directors. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 52]

**STEELWORKS SWITCHED TO RUSAYL**--The Ministry of Commerce and Industry has changed the project for a single-phased semi-integrated steel plant at Ras Swasi with an estimated capacity of 150,000 tonnes a year. Now it will be in the Capital Area. The project is among seven industrial projects offered by the Ministry for private investment. Studies for these projects have been prepared by an international consultants. The revised project is based on setting up an integrated steel plant at Rusail Industrial Area. It will completed in two phases. In the first, a steel mill is to be built to make finished products from imported bullets. In the second phase the plant will produce its own billets. The capacity of the plant will be about 100,000 tons of finished products annually. The Ministry has listed following reasons for the change: The location of plant in Rusail will have a greater impact on the initial capital requirements because of the expected savings in infrastructure costs. The lower capacity and phasing of the plant execution will at the initial capital requirements. Under current world situations of condition of supply and demand for steel, impoted billets are cheaper than the locally manufactured ones. The location of the plant in Rusail will have the advantage of of promimity to the new power plant, Muttrah port and the nearby industrial markets. The preliminary figures relating investment, operating costs and profitability contained in the revised study indicate that this comcept will require lower initial investments and yield higher profitability. [Text] [Muscat TIMES OF OMAN in English 10 Jun 82 p 1]

**STRATEGIC-RESERVE FOOD PLAN**--Food shortages following supply shortfalls or natural disasters will be averted or largely relieved, due to a strategic-reserve plan now going into action in Oman's northern and southern regions. The Strategic Food Reserves and Storage plan was set up under the chairmanship of Mohammed Zubair, the Commerce and Industry Minister, to provide buffer stocks of basic foodstuffs, including rice, wheat, lentils tea, coffee and sugar in case of emergency. Speaking to Oman Central Bank's "Al Makarzi" journal, Commerce and Industry Under-Secretary Ahmed Macki, pledged that the Reserves and Storage Public Authority would periodically sell off stock

to local merchants without profit-taking, enabling reserves to be topped-up with fresh produce. Construction of storage warehouses has begun in the south and north, said Mr Macki, with plans well underway for storage areas in the capital. He reassured private businessmen that the Authority's activities will not affect food prices in any way--citing as evidence of its "sell-at-current prices" rule the recent sale of Authority rice from Thailand at less than coast price because the international rice price had dropped. Another benefit of the warehouse plan, said Mr Macki, will be the availability of storage space to local importers, although rental terms have yet to be decided. Master-plan studies are still being made by consultants Delgety of England. Meanwhile, builders J&P expect to complete the OR952,000 Dhofar storage complex by late summer, while Yahya Costain is now well into construction in the north's OR178,000 storage project. Members of the Public Authority's board are: Mr Macki, the Under-Secretary of Agriculture and Fisheries, President of the Chamber of Commerce and Industry, Director-General of Economic Affairs (Commerce and Industry Ministry), Chairman of Oman Flour Mills, Director-General of Commerce (Commerce and Industry Ministry), Director-General of Customs, Director-General of the Port Authority, and a representative of the Directorate General of Finance. [Text] [Muscat OMAN DAILY OBSERVER in English 21 Jun 82 p 2]

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VIEWS ON ARAB INVESTMENT EXAMINED

Beirut AL-IQTISAD WA AL-A'MAL in Arabic No 38, May 1982 pp 70-71

[Article by 'Abd al-'Aziz al-Sulayman: "Saudi Viewpoint on Arab Investment"]

[Text] The working paper presented by Shaykh 'Abd al-'Aziz al-'Abdallah al-Sulayman, the deputy chairman of the Executive Council of the Jiddah Chamber of Commerce and Industry, to the first conference of Arab businessmen and investors attracted the attention of the conferees because of the fundamental review of the problem of Arab investment in the Arab countries and, particularly, of the view of Arab investors of this problem.

It can be said that the paper constitutes on its own a basis for discussion and dialogue on the investors' viewpoint. AL-IQTISAD WA AL-A'MAL encourages the holding of this discussion with the aim of realizing further effective contribution to the crystallization of the bases of inter-Arab cooperation in the sphere of investment and, consequently, with the aim of developing and enhancing this cooperation.

Here is the working paper:

There is no disagreement over the importance of utilizing the Arab surplus monies to realize the development goals of the Arab countries. There is also no disagreement that it is important to channel the investments in order to enhance their participation in Arab production projects. We know that for long years the Arab countries have tried individually and collectively to encourage Arab capital to invest in the spheres of Arab production. What is more, these countries have issued numerous laws and offered numerous guarantees and pledges to realize this goal.

Despite this precedent and others, most of the Arab countries, especially the non-oil-producing countries, have succeeded to attract but a small part of the investor's and of the Arab monies' interest. It is inevitable, therefore, that there is a failure to diagnose the real reasons for the lukewarm investment cooperation between the oil producing countries and the other Arab countries.

We all know that any investment decision is not made unless the investor is given the guarantee that he will be at least assured the minimum of the following:

- A. Capable specialized management.
- B. Unrestricted executive powers.
- C. The biggest economic yield possible in the capital cycle.

The financier will not make his decision unless reassured that he will personally control these three elements of success without which his capital will be exposed to danger and without which he may miss the profit opportunities available to him in the foreign investment fields.

#### Explanatory Bylaws Foil Incentive Laws

Regrettably, we notice that even in some Arab countries which have tried, thankfully, to secure a part of the three aforementioned investment conditions through the issuance of laws and guarantees containing incentive exemptions for the investors, the step usually following the issuance of these laws is the issuance of a flood of explanatory bylaws that curtail all these incentive guarantees and laws, ultimately reducing them to mere ink on paper or to a lifeless body. The natural result of this is that new Arab investors refrain from coming into the field and that the old investors who embarked on their investment with utter sincerity and goodwill to contribute to building and development end up losing or being stripped of their control over the elements of the success of their investments.

It is a simplification violating the reality of the Arab economic activity to portray the reason for weak productivity in some Arab countries as the lack of monies in the non-oil-producing countries, the lack of managerial and human skills in the oil producing countries and, finally, the lack of technological expertise in the Arab countries generally. It is an offensive violation that has encouraged us to disregard the truth of the conditions engulfing the Arab economic arena. It has also encouraged the specialized Arab economic gatherings and circles to deal with the problem theoretically or hypothetically.

#### Mismanagement Crisis and Social and Political Restrictions

The economic crisis, the failure of the production capabilities and the faltering development in many of the Arab countries are due mainly to mismanagement and to the binding of management to social and political shackles that obstruct this management's sound decisions. This management has withered under the shadow of a complex and obstructive redtape and of overbearing and rigid government centralism. It is not true that the economic hardships of many of the Arab countries are due to the lack of capital or the weak interest of Arab investors. Capital, modern equipment and skilled labor cannot realize successful production if not directed by specialized and scientific management founded on realistic bases, on distinguished personal effort and on collective cooperation under the canopy of state encouragement, without a stifling of the managerial freedom or without a "bear hug," as the expression in the West goes.

## Expulsion, not Attraction, Area

This being the case insofar as the climate dominating the national investments in most of the Arab countries, then how can the Arab investor deal with the intervention of non-economic factors in determining the course of his investment project? Pressures imposed on this investor local management elements long isolated from the developments and methods of modern management. National labor with set political rights that surpass this labor's ever-increasing economic duties is also imposed on the investor. This is in addition to the intervention imposed on him within the sphere of pricing, marketing, taxes, bank remittances and financing credit transactions. These usually undeclared facts have turned the Arab countries into an investment expulsion area in every psychological and economic sense of the word.

Unless many of the Arab countries realize that their fundamental duty is confined to determining the priorities and spheres of investment, to providing ceaseless assistance to the Arab investor, to protecting the Arab investments coming into them from the domination of redtape and the drain of (bureaucratic) intervention under the pretext of nationalism and of sovereignty sensitivities--unless the Arab countries realize the importance of these realistic duties, the flow of Arab investments to the production spheres available in the Arab homeland, especially in the sectors of agricultural and livestock production and of primary industries, will not take place in the required manner and the Western world will continue to be the investment attraction area more convenient to the Arab capital.

The present period is the best period for the meeting of the Arab economic interests. There has been increased awareness regarding the exchange of benefits because this exchange is beneficial to the two parties concerned, namely the oil producing countries which have the monies to invest and the other Arab countries which have the potential production spheres.

So, there is no disagreement over the suitability of the "timing" for the meeting and exchange of benefits between the Arab countries. However, disagreement continues to exist over the "method" of the meeting and exchange of benefits. If the party receiving the investment continues to insist on its national sensitivities and on imposing its direct or indirect custodianship, embodied in the bureaucratic laws and regulations, the Arab investor will not respond to the meeting call, regardless of how many collective agreements and guarantees we secure for him. If the investing party insists on employing its monies in short-range, small-risk and high-profit spheres, which are often confined to the service and real estate speculation spheres, then the Arab countries receiving the investment will not realize the desired benefit out of this type of Arab investment, regardless of how stifled by their existing economic problems these countries are.

## Arab Investment Strategy

What are the features that should be sought when preparing and formulating the desired strategy for Arab investments? Here is a part of these features:

First, the unified agreement for the investment of Arab capital in the Arab countries and the Arab investment insurance agreements prepare the general climate in the Arab homeland for the investment process. But they are not enough to boost or to guarantee the continued flow of investment. To complete the effectiveness of these collective Arab steps, the Arab governments must reconsider anew, and realistically, the issue of Arab investment in freedom from national, political or social sensitivities. The Arab investor is entitled to control his investment project in terms of management, implementation, operation and disposal throughout the period set for the development of the project. The investor may then offer his project for broader participation by individuals or organization, either in the stock markets or through direct disposal. He may then turn to develop another investment project in the chain of the capital activity and cycle which is well-known to the free world and to which the credit goes for the material and civilizational development of this world.

Second, the proven experiences of history spare us the need to go back to the method of trial and error in our endeavor to subjugate investment to the service of development in the Arab homeland. The lesson learned throughout history is that when the mutual interests between countries are respected and when their free movement is assured, they always produce cohesion, progress, development and advanced scientific civilization.

The examples that feature prominently before us and at the highest levels in the advanced countries that have preceded us and from whose experiences we can benefit, considering that they have spared us with their experiences the need to repeat the mistakes they made throughout their long years with these experiences, are the examples of the United States of America--a number of states united in a union--and of Western Europe, a number of countries which have integrated with each other while each has continued to retain its distinctive features. The formula that has realized the union of the United States of America and the integration of the West European countries is the formula of desired cooperation based on the constant rule--the rule of mutual interests whose freedom of movement is guaranteed.

It behooves us to give Arab capital the same chances and freedom so that this capital may contribute to the Arab homeland's investment projects without obstacles and so that this capital and the Arab countries receiving the investments may exchange benefits.

Third, in our endeavor to realize development, we often cast aside the simple investment formats and cling to gigantic investment projects before which the individual investments of the private sector stand helpless and from which they shy away. It may be said that we live in the age of enormous production and that we must start where the others have ended. This may be true generally but it certainly is not fit for dealing with deteriorating economic conditions being experienced by the Arab homeland. Enormous production must be preceded by the presence of an effective network of production bases and of small and medium services. This is something lacking in many of the Arab countries, if not all of them. Therefore, we must distinguish between the requirements of government investments and what is

required of the individual investment of the private sector. Individual capital is capable of creating many of the small and medium bases in the spheres of agricultural, livestock and primary industries which will constitute in the medium range the nucleus for the big production projects and a support for the success of such projects.

Fourth, success in a number of spheres of investment in the Arab homeland always requires the presence of an integrated triangle consisting of: Arab capital, Western experience, including the Western machine technology and management and external marketing technology, and national raw materials and labor. Naturally, the Arab investor, backed up by his banks, takes charge of forming the executive triangle for his investment project. Most of the negotiations that the Arab investor currently conducts take place through the Europeans and U.S. banks where most of the Arab deposits are found. This often causes the terms of the required formation to be tilted in favor of the European or U.S. side.

#### Bolstering Arab Banking Apparatus

Considering that it is important to enhance the negotiating capabilities of the Arab investor in his contacts with the advanced Western countries, then it becomes certain that it is necessary to bolster the existing Arab banking apparatus by increasing the volume of the oil surplus monies deposited in this apparatus. The Arab banks in the Gulf states have had a long experience in the processes of capital employment and management. The capacity of the Arab money market has expanded to absorb and employ a bigger share of the Arab oil surplus monies than the current share. The stronger the banks of the Arab oil producing countries--from which the Arab investor basically comes--become, the stronger becomes the negotiating power which this investor has vis-a-vis the Western production circles when concluding contracts with these circles to implement his investment plans. If the Arab banks--after increasing the deposits entrusted to them--are given the opportunity to spread in the Arab world and if they are given a national character free of the political sensitivities of the governments, they will become more efficient than the Western banks in studying and encouraging the investments needed for development in the Arab homeland.

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## BRIEFS

**DESALINATION PROJECT CANCELLED**--Saudi Arabia recently cancelled a 2.2 billion dollar tender won by a consortium of seven Japanese companies for the construction of a water desalination plant and power generating station. The Saudi Arabian Water Desalination Board notified the shocked Japanese companies that the reason for the cancellation was too high a price. The project, which is to supply Mecca and Taif with water and electricity and at a later stage to cover Asir, is believed to be one of the biggest of its kind in the country. Experts believe that the reason for the cancellation was lack of funds as Saudi Arabia has decided to lower its rate of oil production. Other circles, however, said that since Saudi Arabia recently granted a contract worth 791 million dollars for the construction of a power generating plant, of which Saudi Arabia pays 20 per cent in advance, the reason cannot be lack of funds. The experts pointed out that the project is still likely to be implemented but at a lesser scale. [Text][Kuwait ARAB OIL in English No 6, Jun 82 p 37]

**SAUDIA AWARDS CONTRACT**--Saudi Arabian Airlines (Saudia) has awarded a 45 million dollar contract to Rolls Royce to equip an overhaul base for RB211 aero engines. Saudi is one of the largest operators in the Middle East of Boeing 747 and Lockheed Tristar airlines powered by these engines. The company said that the new facility is being designed by Saudia. Rolls Royce would train Saudi personnel in Britain until it is ready. The first phase of the new project will start in September with about 95 persons at the base. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 37]

**AIRPORT STEEL CONTRACT AWARDED**--Samsung Heavy Industries, a major steel manufacturer in South Korea, have won a 60 million dollar contract for the structural steel for the King Khalid Interantional Airport project in Riyadh. The sub-contract was awarded to Bechtel, US, which controls the vast five billion dollar project. Samsung has already delivered 22,000 tonnes of steel worth about 22 million dollars for the first phase of the project. There was fierce competition for the sub-contract between Japanese and European suppliers. Samsung is one of 12 Korean subcontractors working the project. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 37]

**FIFTY-FOUR DAMS TO BE BUILT**--Saudi Arabia is to build 54 dams in the Al-Baha and Asir provinces as part of a national program to promote agriculture and provide potable water. The contract for the project worth 62.84 million dollars was awarded to a Saudi company and provided by Abdul Rahman Al-Sheikh,

the Minister of Agriculture and Water. Eighteen of the dams will be in the Al-Baha province and are to be completed in 20 months. The remaining 36 will be built in the province of Asir. The agriculture minister recently approved the construction of two other dams, in Al-Nabhanniya and Yanbu Al-Nakhl, costing 25.47 million dollars. [Text][Kuwait ARAB OIL in English No 6, Jun 82 p 37]

**SOUTH KOREAN COMPANY WINS CONTRACT**--Saudi Arabia's Royal Commission for Jubail and Yanbu signed a contract recently with ICC Construction of South Korea. The 53.3 million dollar contract is for the engineering and construction of a housing complex in Jubail, to accommodate 4,000 workers from the expanding industrial city. The complex, known as camp 15, will consist of 97 housing units, including three units managers, 16 units for supervisors, 28 units for foremen, and 50 units for labourers. Each labourers unit is designed to accommodate 64 persons. ICC will also handle the construction of roads, walkways, playgrounds, parking spaces and tennis courts, plus three dining rooms, two food storage depots, a bakery, an administrative building, a launderette, four recreational centers, and various other service buildings. The Royal Commission has undertaken the organisation of a further 1,903 housing units in Jubail, which is planned to accommodate some 350,000 persons by 1999. Construction of these remaining units will be in the hands of the private sector, through land leases by the Commission. The Jubail contract raises ICC's total Saudi Arabian sales to 305.5 million dollars. In the past few months the company won two contracts, for a sewage and water complex in Taif, and a sports complex in Tabuk. [Text][Kuwait ARAB OIL in English No 6, Jun 82 p 37]

**BRITAIN TO INCREASE TRADE**--Britain exports around 2.4 billion dollars worth of goods to Saudi Arabia each year, according to Lord Limerick, Chairman of the British Overseas Trade Board. More than 100 British companies are involved in joint ventures in the Kingdom. Lord Limerick, speaking at a recent seminar on Saudi Arabia, underlined Britain's dedication to develop durable, long-term trade relations with the Kingdom. The seminar, held in London, and organised by the Arab-British Chamber of Commerce, was attended by Saudi Commerce Minister, Sulaiman Abdul Aziz al-Solaim, and numerous officials from both countries. Al-Solaim informed the seminar members that Saudi Arabia, being a major member of the Gulf Cooperation Council, GCC, could act as an important 'springboard' for re-export of British goods to the other GCC countries. Saudi remains a good prospect for exports, he added, because it is the only OPEC country whose budget has not suffered much as a result of the cut in oil production. The Kingdom is losing approximately 100 million dollars per day in oil income because of the glut, however the decrease has not affected government subsidies in any way. Al-Solaim also advised Britain against introducing an anti-boycott legislation, "one cannot quantify the amount of business lost due to the passage of a law such as this," he said. "Any restriction on businessmen and their movements is bound to hurt business". Sheikh Sulaiman Olayan, President of the Riyadh Chamber of Commerce, and Chairman of the Saudi-British Bank in Saudi Arabia, told the meeting that the Kingdom would develop a formal stock exchange for trading shares in private sector companies. "However, a stock exchange would contribute to a stable Saudi economy only if we allow it time to be established properly," he added. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 36]

AGRICULTURE PROJECTS IN AHSA--Nearly 59.5 million dollars have been earmarked in the new year's budget for a number of irrigation and drainage projects in the Ahsa region. They include the projects taken up by the authority, and the agriculture projects of Al-Kharj, Aflaj and Qatif, according to Saleh Sulaiman, the Director-General of the Ahsa irrigation and Drainage authority. He expressed pleasure at the budget allocation which, he said, clearly indicates the government's attention to agriculture and development all over the Kingdom. He added that the budget covers maintenance, operation and preservation of canals, distribution of water, backfilling of swamps, levelling of grounds, agricultural information, and pest control. In Al-Kharj, a 12 kilometer canal will be completed shortly and about 2,000 hectares of land will be cultivated for production of fodder. In Aflaj, 10 to 12 kilometers long canals have already been constructed. The Director said that the authority has set up a guidance department in Aflaj, in addition to the operation and maintenance department. The authority also distributes water to farmers of the area, he said. Concerning the new date packing factory he said the work at the project is in full swing, and is expected to be completed by the beginning of the next season. The factory which covers an area of 85,000 square meters, will consist of warehouses, store rooms, a workshop and a spare-parts store. The factory's production capacity will be 20,000 tons of dates per year. The Director added that the Al-Kharj dairy project currently produces 5,000 liters of milk which is consumed locally. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 36]

LOAD TEST UNITS--Two mobile trailer-mounted generator load units will be operated by the Jeddah-based Saudi Electro Mechanical Company, reported the Saudi Gazette recently. The paper said that they will be used for testing the output of gas turbine powered generators of up to 10 MW capacity at various locations throughout the Kingdom. Besides enabling the generator performance to be checked before commissioning, the test unit can also be used following repairs or modifications. Each of the units is rated to absorb a continuous maximum power of 5 MW. The resistors, transformers and all associated control equipment are mounted on a trailer 11 meters long which is suitable for use on public highways. Costing about 600,000, the units are the first to be sold to the Kingdom by Cutler Hammer, although the firm's units are in use in a number of other Mid-East countries. The company's resistor blocks which are used to dissipate generator power were originally developed as dynamic braking resistors for railway locomotives, so are capable of containing high powers within a relatively small volume. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 35]

BAD CHECKS COMBATED --Saudi's Ministry of Commerce is waging war on bad checks. The Ministry has arrested 300 persons for check infractions in the past four months alone, and revealed that during the same period, post-dated and bounced checks totalled some 177.7 million dollars. Until recently, the plaintiff had to wait for several months before the committee could deal with both sides of this case. Abdul Rahman Al-Zamil, Deputy Minister of Commerce, said that, "The government will not tolerate any more cases of bounced or post-dated checks which are dishonoured." He added that cases of bad checks had been on the increase because of the large number of expatriates coming into the Kingdom. "In most cases, the foreigners are the ones involved," he said. Al-Zamil advised both Saudis and expatriates to be more careful in their

transactions. Riyadh, Jeddah and Dammam are the sites of the first three committees, and more are expected to be set up in the near future. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 35]

AWACS PROTOTYPES UNACCEPTABLE--Saudi Arabian Defence Minister, Prince Sultan, said recently that his country will not accept four prototypes of the US-made AWACS radar planes, currently on loan to the Kingdom, as part of delivery on an 8.5 billion dollar arms deal with the United States. "We will not accept these models, because we do not find in them the sophistication embodied in the planes we shall buy," Sultan said in an interview with the leading Saudi magazine, 'Al-Yamama'. "But the planes will remain on lease to us, solely within the limits of our interests," he added. Sultan did not elaborate. The controversial deal for the AWACS planes, approved by the US Senate late last year after a heated debate, entails conditions for Saudi use whose language is somewhat disputed by Saudi Arabia. The Saudis agree to stipulate that the planes would be used only within Saudi territory, and to a number of other generally worded guidelines. But they have worded disagreement with an implied provision that US personnel must be included in the planes' operation for an indefinite period. Sultan referred to the Nimrod, Britain's alternative for the AWACS, currently being developed. "When that plane is finalised, we shall be the first to press for it," he said. "We shall be among the first countries to get that plane." [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 35]

LIVESTOCK FIRM--Saudi Livestock Transport and Trade, SLTTC, a newly formed company, recently acquired an oil tanker costing 7.5 million dollars. The purchase of the tanker, which will be converted into a sheep carrier, was part of a plan to improve the channels of livestock supplies to the country. According to the company's Agriculture and Veterinary department Manager, Ibrahim Saleh Obaidi, the conversion of the tanker will be carried out by a Far East shipyard, and the operation will take about four months. SLTTC was set up to provide a twice-monthly livestock transport service from Australia to Jeddah and Dammam, and has a trading division to raise the livestock for sale. The company has a capital of 27.7 million dollars, and includes among its shareholders, the National Shipping Company of Saudi Arabia, NSCSA. NSCSA supplied the company with a background on the livestock market, along with options for buying, converting and chartering ships, and potential sheep-purchasing agreements with Australia. The company recently rented a two million square metre plot of land in Dammam, to be used as a feedlot for sheep. Another one million square metre plot has been rented near Riyadh. Obaidi stated that SLTTC is at present negotiating the rental of a third plot of land near Jeddah. SLTTC has also made a survey of Somalia, Sudan and Turkey's livestock markets. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 34]

LOAN FOR ARIEB--The Saudi-American Bank has led a syndicate of banks in arranging a 13.5 million dollar loan for ArieB Enterprises for Contracting and Trading, a Riyadh company. ArieB has a contact with the Saudi Ministry of Communications, to build a 33.5 kilometer section of the Riyadh-Buraidah expressway. The contract is worth some 54.02 million dollars, and the syndicated loan will cover bonding requirements. The syndicate includes Citibank, Northwestern National Bank of Minneapolis, Saudi American Bank, and the Bahrain branch

of Societe Generale. Syndicate representatives signed the loan agreement with Ariebe President, Faisal Al-Sudairy. Ariebe is a 100 per cent Saudi Arabian owned company, and was awarded the highway contract last year. At present, work on the section has been delayed due to design alterations by the Ministry. The road section lies between Al-Ghat and Zilfi, in the Central Province. [Text] [Kuwait ARAB OIL in English No 6, Jun 82 p 34]

FOREIGN FIRMS CHALLENGED--Riyadh Chamber of Commerce and Industry has circulated a report on the role of foreign firms in Saudi Arabia in which it recommends the formation of a high level technical committee to safeguard the kingdom's interests and check on alleged irregularities on the part of multinational companies. The report notes that the participation of Muslim and Arab countries in Saudi development remains minimal, but it does not discuss ways in which it can be increased. The overwhelming majority of the 516 foreign companies actively involved in contracts worth SR160.7bn(\$47bn) come from the US, Western Europe, Japan and South Korea and their contracts are concentrated in the defence and aviation, agriculture and water, industry, communications and power sectors. A number of major criticisms of these companies' conduct support the report's contention that some foreign companies have given priority to their own interests at Saudi Arabia's expense. For example, the issue of price-rigging - which came to a head in the early years of the second five year development plan (1975-80) - is raised again. The report sees the formation of a special committee as a steppingstone to solving these problems and encouraging local Saudi companies to tender for projects in the kingdom. It suggests that such a body, which the report itself calls a "cell," should study local resources, local prices and conditions. [Text] [London ARABIA in English No 10, Jun 82 pp 54-55]

CSO: 4400/354

## REGIONALISM CONCERN OF INDUSTRIAL PROJECTS

Khartoum AL-SAHAFAH in Arabic 6 Jun 82 p 3

[Article by "'Abd al-Salam"]

[Text] One of the most prominent questions that occurs to the regional organizations that at this time are applying the law of regional government for the first time, revolves around the capability of the new regional management and their qualifications to enter into the field of industry and talk in the name of regional industrialization. There is a frank question in this regard: Is it possible for any region to pursue planning and implementation in the field of local industries, without resorting to the central authorities?

There is a basic and important issue behind this question, which will be raised when evaluating the experience. It is the issue of coordination between the regional governments and the central government in exercising the various powers and staying clear of conflict and sensitivity. Regarding the field of industry, there is frank talk by a man who is a specialist, the central minister. This was at a meeting of the Kordafan regional government, held last month. There was a comprehensive dialogue about regional application in light of the experience of the Kordafan region. We have examined aspects of this dialogue in two previous issues of AL-SAHAFAH.

The discussion of industry in the region began as if it was a discussion of the future among a sea of urgent and important matters. However, the reality of the situation, in Kordafan especially, gave direct evidence that the problems of industrialization in the region have begun. Although, there have not been problems connected with factories, they have had a connection with agriculture and raw materials, as well as roads, energy, sources of financing, expertise and management. This means that the problems of industry are connected with the main problems which all the regional governments face. That is why we say it might be best to start thinking early on about the problems of regional industry.

## The Problems

Minister Muhammad al-Bashir al-Waqi' visited four regions after assuming the duties of the Ministry of Industry. He said he found the problems of one

place to be the problems of another. He therefore hastened to say: "The matter requires a new and comprehensive industrial survey."

He pointed out that the last industrial survey had been one in 1970. He then added: "We have asked UNIDO, one of the United Nations' specialized organizations, to make an industrial survey. It has in fact been started in the Central Region and from there will go to the Southern Region. This new industrial survey is important and fundamental."

The Minister made the following comment:

"A great many factories have been approved, but very few of those have been built. What about the rest? This situation requires an answer. We have asked for information to learn about what is happening.

"More than 60 oil presses were approved in one of the provinces, but in the past 10 years, not more than 10 factories have been built!"

Study is underway to find out the facts of the matter.

The matter probably has a connection with the nature of the procedures to approve these industries. The minister says: "It is not necessary for any industrial project to be approved in Khartoum.

"There is no restriction on study. Each region has the right to study its industrial potential and make proposals. It would be impossible to make these studies available to a central minister.

"The presence of a 100 percent demarcation line between the jurisdictions of the region and the central government is also an impossibility, because in fact we are not talking about nations, but rather about regions within one nation."

The minister announced measures that have been taken to reorganize the process of approving industrial projects, with coordination between his Ministry, and Ministry of Finance, and Ministry of Agriculture and the Province of Khartoum. It is expected that this coordination will be done with the region. He cited examples of coordination with the regions, and asked: "Should the problems of a Babanusah factory be among the priorities of the central government?"

He then referred to a similar experience in this regard:

"The brothers in the Northern Region took over a cream factory and assumed responsibility for the factory's growth within the framework of rural development around it. We continued to help them by making studies and finding sources of financing. Within the framework of our industrial priorities, Babanusah could come after the cream factory. We formed a regional committee to study the placing of a fence factory in Abu Na'amah. It was chaired by the regional minister concerned. That was done to learn what could be done for this factory, if it was subordinate to the Central Region."

The Minister added:

"Moreover, in the case of the onion factory in Kassala, another committee could be formed to study locating a Babanusah factory as well, after the Northern Region takes the initiative and completes its study."

#### Energy Before Industry

There was a reference to several regional industries available, including grains, peanuts and sesame, in order to stop the importing of materials manufactured from raw materials produced in each region. The minister stressed the need to watch out for the problem of water and electricity when thinking about establishing new industries.

He also stressed the need for a balance between industry, energy and transportation.

He called for the encouragement of the private sector to enter into industrial investment fields.

#### Directing Investment

Regarding the policy of directing investment into industry, the minister referred to the agreement that would be handled by the Ministry of Finance and Economic Planning, while the technical side would be left to the Ministries of Industry and Agriculture, according to the kind of project, where it could be decided by a competent technical committee.

He stressed that the point of view of the regions would be taken into account with regard to industrial planning within their boundaries. What is proposed regionally does not have to be incompatible with central authority, because the decisive question is "What is best for Sudan?"

#### Obtain the Region's Viewpoint

Muhammad al-Bashir al-Waqi', the minister of industry, concluded his talk by commenting on how everything stresses the importance of not stopping at the study, but preparing the projects in the region, because "approval of an industrial development project will not be forthcoming without obtaining the region's viewpoint."

7005

CSO: 4504/385

## BRIEFS

NATIONAL CONCILIATION--Mr Ahmad Zayn al-'Abidin, secretary of the Executive Committee of the Democratic Unionist Party, on the occasion of the passing of 13 years of dictatorial rule under the leadership of Field Marshal Ja'afar Numayri, issued the following statement: The Sudanese opposition, through its various groups, declares to the Sudanese people that it is stronger and more determined than at any time in the past to sweep away the black May regime, and that the absence of the martyr al-Sharif Husayn al-Hindi, may God have mercy on him, will not change its basic position. It is following his path resolutely and with determination. The hour of salvation has drawn nearer, since the Numayri regime has become on the point of death, collapsing, and isolated on the national, pan-Arab and international levels. Only the idea of its brokerage remains, no matter what it gets from foreign powers, both openly and in secret, in order to protect it. We stress to the Sudanese people, and to the Arab and African peoples and all the people of the world, that victory will be the ally of the national forces, that there is no room among us for reactionaries, collaborators and conciliators, and that the so-called national conciliation has become a fairy tale. No negotiation, no conciliation and no collaboration with those who have gone too far, who have tyrannized and who wish to turn back the hands of the clock. [Text] [London AL-DUSTUR in Arabic No 236, 31 May 82 p 11] 7005

RUMORS, ARRESTS--"President" Marshal Ja'afar Numayri has issued an order forming a special investigating committee, under the leadership of the policeman, 'Abbas Abu Shamah, and headquartered in the Republican Palace, to investigate the so-called rumors pertaining to Major General 'Uman Muhammad al-Tayyib, "his excellency's" first vice president. The committee invited Judge Duf'ullah and his colleague from the South Khartoum Criminal Court to testify as to their information about the deposition submitted by the wife of Mr Muhammad Yahya Husayn al-Sharafi, in which she accused her husband of misconduct, as a result of his crooked behavior. The two judges refused to appear before the committee and asked the chief magistrate to protect them on the basis that the deposition was a judicial act about which they could not be questioned. However, an appeal could be made by legal means. However, the chief justice, as is his custom in carrying out the instructions of the government and the security apparatus, ordered the two judges to meet with the committee on the grounds that the invitation was of a personal nature. The two judges made it clear to the committee that they had no information of a personal nature and that any information

that had come to them was of an official nature. The committee has arrested a number of lawyers, including 'Ali Mahmud Hasanayn, Faruq Abu 'Isa, (released for health reasons) Taha Ibrahim Garbu', 'Abd al-Sadiq Muhammad 'Abd al-Sadiq, Hasan Shabu and Sulayman Dahab. It should be noted that the latter two had brought a suit for divorce on behalf of the wife of Mr Muhammad Yahya Husayn al-Sharafi, on grounds of malice and eccentric behavior, before the Shar'iyah Court. [Text] [London AL-DUSTUR in Arabic No 236, 31 May 82 p 11] 7005

DOCTOR KILLED--The death of a veterinarian occurred at the door of the Veterinary Research Center on the outskirts of Khartoum, at the hands of two soldiers from the Sudanese army, who were searching people entering and leaving Khartoum. This killing stirred up the tribesmen of the victim, and some of them gathered at the hospital, where the victim's body was, and at the inspection station at the entrance to Khartoum. It also created some restlessness and discontent in Sudanese army circles, which are held accountable for all acts of killing and assassination in Sudan, on the pretext of enforcing the law and maintaining security. [Text] [London AL-DUSTUR in Arabic No 236, 31 May 82 p 11] 7005

POLITICAL PRISONERS--Initial statistics obtained by the Sudanese opposition from inside Sudan, indicate that the number of political prisoners in various Sudanese prisons is estimated in the thousands, and that more than 250 of them have spent more than 3 years in detention without trial, despite several attempts to gain their release, and despite claims by "President" Numayri to the foreign media that his country's prisons had not one single political prisoner within them. The Democratic Unionist Party abroad and Amnesty Sudan are continually making great efforts to raise the matter of political prisoners in Sudan with the international authorities concerned. [Text] [London AL-DUSTUR in Arabic No 236, 31 May 82 p 12] 7005

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