



**Directorate of
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Near East and South Asia Review



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**Near East and
South Asia Review**

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The prospect of a sharp increase in Israel's budget deficit looms as the major obstacle to Prime Minister Shamir's much-heralded economic program. A failure to resolve conflicting economic policies could disrupt Shamir's reform package and, in the worst case, lead to a political crisis and a new election.

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The Israeli Left

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Israel's leftist protest movements, academic groups, and political parties all urge the Israeli Government to make far-reaching concessions toward a peaceful resolution of the Arab-Israeli conflict. Each advocates a different approach to peace, and all are likely to increase their protests during Likud leader Shamir's term as prime minister.

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The Western Sahara Conflict: The Stalemate Continues

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The dispute over Western Sahara shows no sign of a diplomatic or military solution. Morocco has improved its military position but Algeria retains the diplomatic upper hand, and the most immediate danger is that either party will seek outside help or attempt to include Mauritania in the battle zone to break the deadlock.

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Iraq-Kuwait: A Fragile Alliance

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The Iran-Iraq war and Iraq's need for Kuwaiti support have influenced Baghdad to maintain good relations with Kuwait despite unresolved territorial claims between the two countries. Once Iraq's economy recovers and the threat from Iran recedes, Iraq is likely to put more pressure on Kuwait as Baghdad tries to assume a dominant role in the region.

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[Redacted]

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[Redacted]

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North Yemen's Tense Military Relationship With Moscow [Redacted] 21

[Redacted]

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Sanaa has recently intensified its efforts to replace Soviet military advisers and restrict their access to military facilities in North Yemen. President Salih is trying to counter Soviet pressures aimed at discouraging Sanaa from supporting South Yemeni exile forces and encouraging accommodation with the current regime in Aden.

[Redacted]

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India: The Succession Struggle in the Nuclear Establishment [Redacted] 23

[Redacted]

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Prime Minister Gandhi will soon decide whether to appoint a new head of India's nuclear program or keep its present chief for another year. The future chief may not have much influence on decisions about nuclear weapons, but the selection could give some clues to the direction of India's nuclear policy. [Redacted]

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The Pakistan People's Party: Pretenders to the Throne [Redacted] 27

[Redacted]

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The Pakistan People's Party, the country's largest opposition party, is trying to force a change of government in Pakistan, but its efforts are hindered by factional infighting, rivalry from opposition parties, and public indifference. If the PPP eschews violence and adopts moderate tactics, it has a least an even chance of coming to power.

[Redacted]

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Pakistan: New Politics in Punjab [Redacted] 33

[Redacted]

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The inability of opposition elements to spread disturbances into Punjab from elsewhere in Pakistan has given President Zia and the Junejo government a crucial degree of security. Punjab remains the dominant province and the key to stability in Pakistan. [Redacted]

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Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as noncoordinated views.



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**Near East and
South Asia Review**

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Articles**Israel: Economic Pressures
Threaten Reform Package**

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The prospect of a sharp increase in Israel's budget deficit looms as the major obstacle to Prime Minister Shamir's much-heralded economic program. Competing demands from labor, business, and even members of his own Cabinet threaten to undermine his attempt to contain the projected deficit. A failure to resolve conflicting economic policies could disrupt Shamir's reform package and, in the worst case, lead to a political crisis and a new election.

A Tough Act To Follow

Shamir has inherited a much-improved economy as a result of former Prime Minister Peres's initiatives, but not without some costs. Tighter monetary policy and stringent fiscal measures lowered the budget deficit and slashed the inflation rate from triple-digit levels in 1985 to about 20 percent this year. An 18.9-percent devaluation of the shekel in July 1985—and substantial US financial assistance—contributed last year to the first positive foreign payments position in over 30 years. These gains, however, were won at the expense of higher unemployment—currently about 7 percent, a 25-percent increase over the preausterity level—and a recession that has affected many businesses, especially high-technology firms.

Key Reforms

With an eye to the next election, which must be held no later than the fall of 1988, Shamir knows he needs economic successes to match those of his predecessor. To put his imprint on the economy, Shamir has introduced an amalgamation of earlier programs that emphasizes both growth and austerity. As he made clear in his inaugural address as Prime Minister to the Knesset on 20 October, Shamir's strategy is to improve the standard of living, increase employment opportunities, and reduce the government's role through tax reform, a restructured capital market,

and privatization. At the same time, he intends to resist policies—especially wage increases—that might enhance his popularity with the electorate but undermine the still fragile gains of the austerity program.

In our judgment, Shamir has strong economic incentives to implement some degree of tax reform before the next election. Reducing Israel's heavy tax burden—the average effective tax rate is 25 percent of income—would spur industrial productivity and growth, stimulate investment, and eliminate distortions that hinder efficient economic activity. Moreover, a political consensus is building within government circles and in the private sector for tax reform. Hoping to capitalize on Shamir's need for popular accomplishments, the Federation of Israeli Chambers of Commerce is lobbying the press, senior government officials, labor, and members of the Knesset for tax overhaul. Several government officials share the impression that, unless a tax change is made, many firms and individuals, especially highly trained workers, will find it more profitable to move to the United States, according to the US Embassy in Tel Aviv.

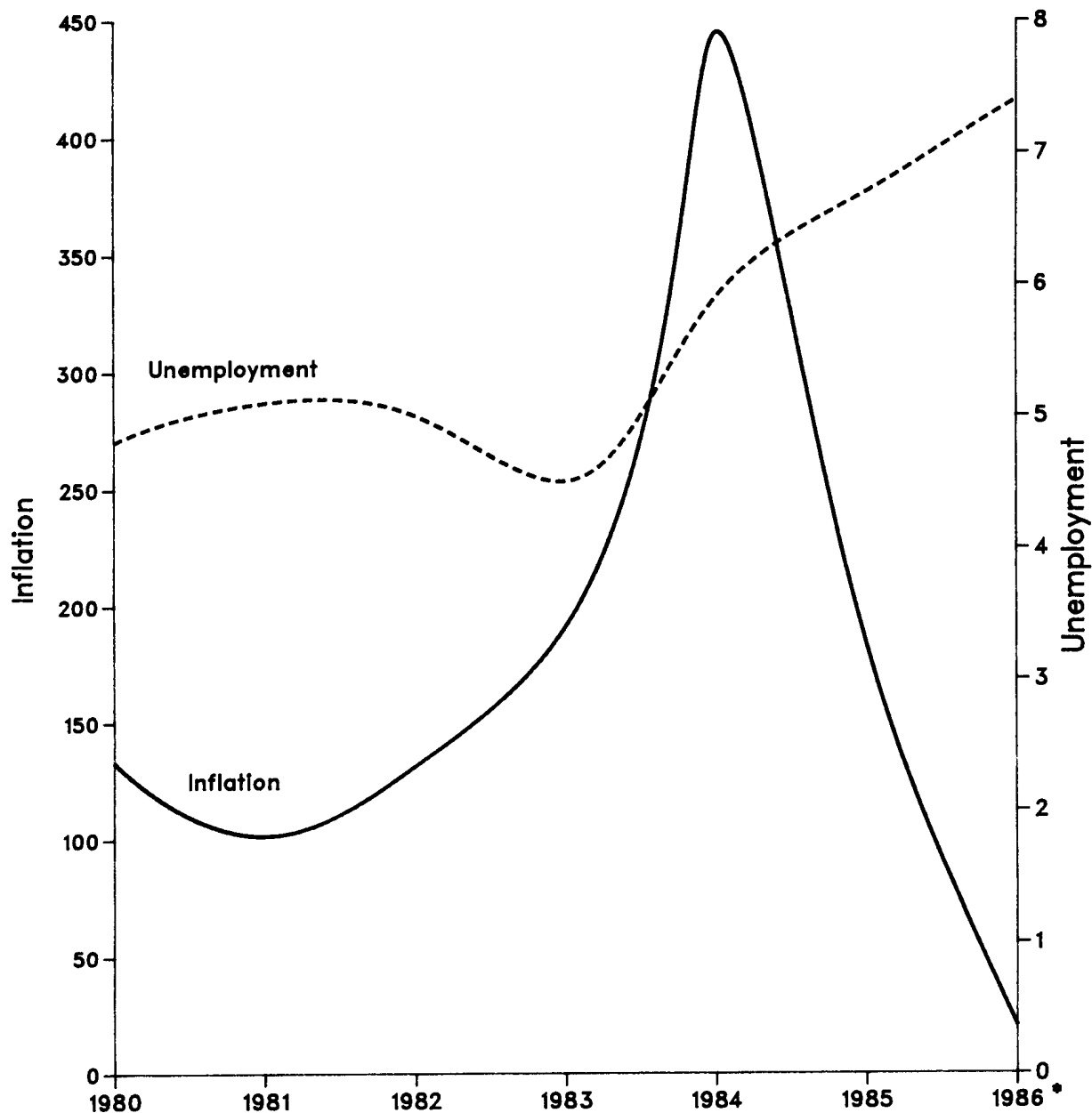
Shamir and his Likud colleagues intend to move ahead on capital market reform begun under the Labor government. A restructuring of the capital market is aimed at eventually breaking the government's near stranglehold on available capital and freeing badly needed money for private investment. Tel Aviv dominates the capital market to ensure that it has funds available to finance the budget deficit. Moshe Nissim, Shamir's Finance Minister, already won initial approval from the Peres-led inner Cabinet for nine recommendations that

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ISRAEL: INFLATION AND UNEMPLOYMENT



*estimate



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include restricting government acquisition of funds to the exact amount needed to finance the budget deficit and allowing private companies to raise money directly. Just before Shamir's accession to the prime-ministry in mid-October, several key Likud officials, including Nissim, took a small step toward ending the government monopoly by allowing banks to invest 10 percent of their deposits in private-sector bonds.

Shamir also is committed to privatization—selling off or going public with government enterprises—as a way to raise revenue and, if possible, rid Tel Aviv of financially troubled companies that are an additional drain on the budget. Last year joint government-private concerns lost over \$44 million, including \$10 million in red ink posted by El Al Airlines. Tel Aviv has turned down a bid from Canadian and US investors for El Al because it believed the \$316 million offer was too low, according to the press. Nevertheless, the Israel Government Corporations Authority plans to sell or go public with 11 other companies this year. On the auction block are the government's \$80-100 million share of Paz, the national gas company, and 74 percent of Mamen, the management authority for Israel's airports. To streamline the divestiture process, the government has eliminated the need for further advisory or committee approval once it has decided to sell at an established price. The government also will attempt to sell equity shares in foreign markets and on the Tel Aviv Stock Exchange.

The Budget Deficit—A Conflict

The government is struggling to reduce this year's budget deficit—the prerequisite for any major economic reform. Shamir so far has extracted only about half of the \$480 million mandated reduction for the fiscal year ending in March 1987 by taking politically easy cuts in development programs and government purchases of goods and services. He has made no headway, however, on lowering expenditures for programs that directly affect the populace, such as social security and many transfer payments. Moreover, cutting these budget items must have the approval of the Knesset, whose members predictably look to special interests first and will reject measures that adversely affect their constituents. We do not believe Shamir has the necessary backing to lower

spending to the targeted level. As a result, the budget is likely to run a slight deficit this year despite about \$1.5 billion in additional revenue from a series of one-time taxes.

An almost certain drop in revenue for the fiscal year beginning 1 April 1987 helps assure that the budget will have to be cut again if Shamir is to keep the stabilization program on track. Automatic expiration of the temporary taxes, including a car levy and a tax on child allotments, will cost the government about \$170 million, according to the US Embassy. A planned reduction in customs duties, in accordance with an agreement with the European Community, is scheduled to take effect this January. In addition, employers will reduce payments to the National Insurance Institute by \$300 million. Overall, Tel Aviv stands to lose as much as \$670 million in FY 1988.

Shamir also is unlikely to see a repetition of the economic breaks that helped Peres achieve his gains. We judge that Shamir will not enjoy a drop in oil prices similar to the roughly \$14 per barrel decline that occurred during the first three quarters of this year and saved the government approximately \$420 million in oil import costs. Nor is the balance of payments likely to benefit from a decline in the value of the dollar in Europe or a drop in foreign interest rates. More important, Israel is not scheduled to receive supplemental US aid beyond the \$1.5 billion allocated during 1985-86. Shamir's financial problems are further compounded by repayments of \$3.7 billion in domestic debt the government must make as a result of the stock market collapse of October 1983.

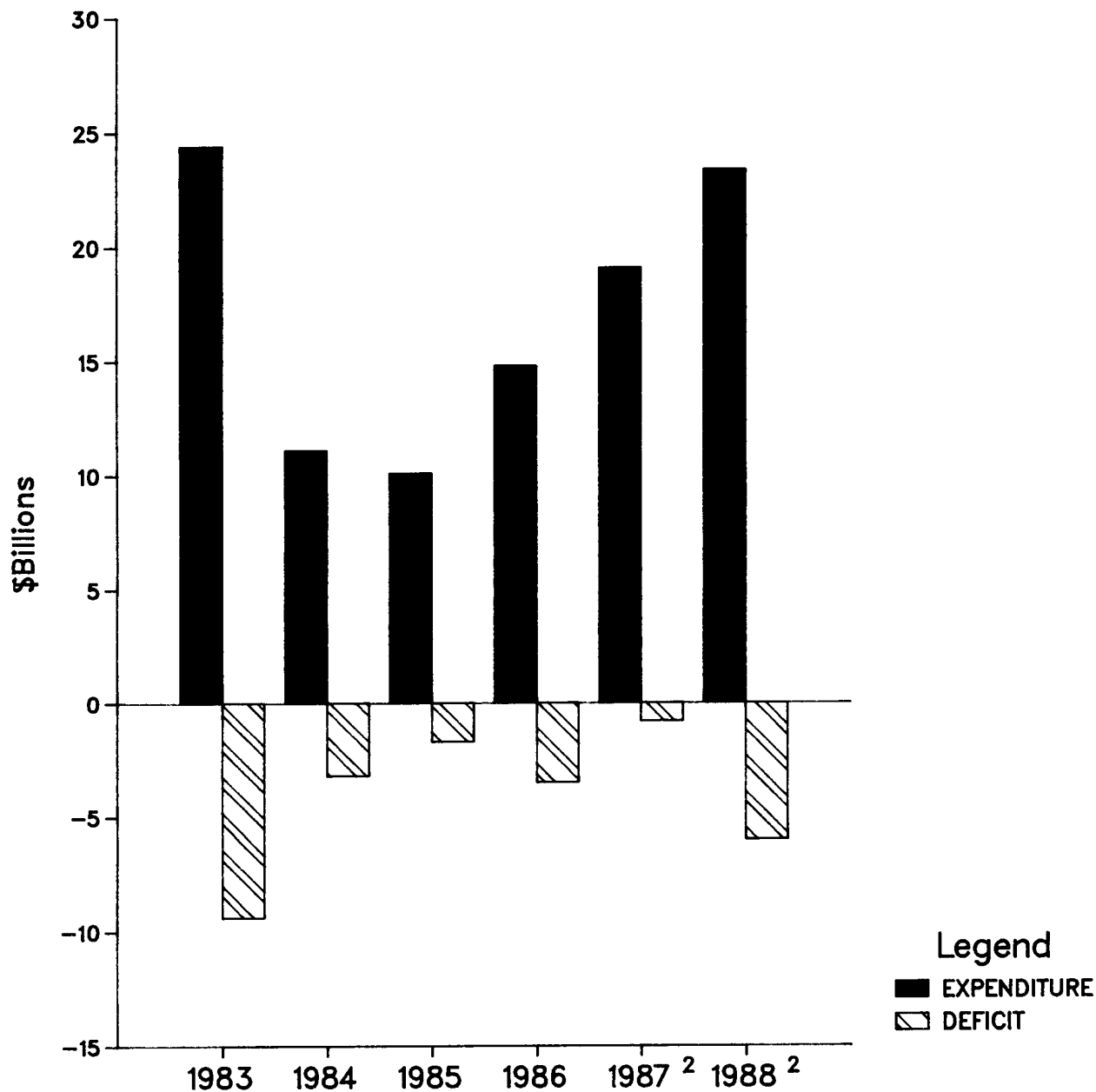
Other developments have arisen to threaten the stabilization program. Two major and unexpected events are a widening of the trade deficit and a resurgence in consumer demand, which increase pressure for a currency devaluation or price hikes. To curb the rise in consumer spending, Israeli officials have decided to clamp down on private borrowing by raising the interest rate on short-term loans. As a consequence of the more expensive short-term credit, the national management organization for Israel's kibbutz settlements is seeking a rescue package of

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ISRAEL: THE GOVERNMENT BUDGET



¹ for Israel fiscal year ending March 31

² estimate



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over \$200 million to consolidate its debt, according to the US Embassy. Israeli business has expressed dissatisfaction with the higher interest rates as well. Moreover, the interest rate increases will do little to offset spending by consumers, who can still maintain high spending levels by utilizing their considerable dollar savings. Shamir's key advisers, however, including the Finance Minister, are rejecting proposals to devalue the shekel for fear of setting off a round of price increases.

Special Interests Limit Options

Any attempt to reduce spending or, as a last resort, to raise taxes would meet stiff opposition within Shamir's Cabinet. According to US Embassy reporting, Finance Minister Nissim has ruled out a tax increase to solve the deficit problem and is pressing for tax reform. Ariel Sharon, the Minister of Industry and Commerce and a strong supporter of industrialists, already has proposed assisting exporters with additional subsidies—on top of the \$1.5 billion already provided. Other big spenders have taken an even tougher stand:

- The Ministry of Defense has announced it will seek a \$200 million increase in its budget requests for FY 1988. It will have the backing of Avraham Shapira, the powerful chairman of the Knesset Finance Committee, who is opposed to defense cuts.
- The Ministries of Health and Education probably will draw the line on further budget reductions as well. The Embassy reports that the Treasury already has retreated from its insistence that the education budget be trimmed \$150 million this fiscal year.

Not surprisingly, the private sector would object strongly to any deficit-reduction measures that hurt its interests or worsened unemployment. Eliminating popular subsidies would alienate consumers, business, and Histadrut, Israel's powerful trade union organization. Although the populace is generally satisfied with the government's handling of the economy, it probably is not ready for another unrewarded round of austerity. Recent Israeli press reporting that suggests that a budget cut is not necessary probably has weakened private resolve to support further tough measures.

Histadrut, a Labor Party stronghold, has warned it will not support the reform program if government measures reduce the standard of living of its constituents. As a result, the government has avoided further subsidy reductions or tax increases that would offend the unions and has found it virtually impossible to implement a planned reduction in the government payroll. Indeed, the government is using some of the extra revenue from this year's temporary taxes to subsidize the employers' contributions to social security. The loss of key subsidies would trigger compensating demands for higher wages and lead to a spiral of price increases. The settlement of the recent nurses' strike—whereby the nurses won a total compensation package worth \$24 million—demonstrates worker sensitivity to price increases and wage erosion.

No Resolution in Sight

Lacking strong political and popular support, we assess that Shamir does not have the force of personality necessary to win approval of controversial spending cuts, the key to the success of reform. We believe—and Israeli economic policy makers agree—that the best Shamir can do is hold the line on spending increases. Even if discretionary spending were frozen, he still would face automatic spending increases because of population growth and inflation. This will force Shamir to adopt highly inflationary measures of borrowing or printing money to cover the deficit. Moreover, the prospect for a growing deficit jeopardizes his reform package.

The impending financial crunch means Shamir probably will have to accept a sharply curtailed version of his tax reform proposal or perhaps even postpone the plan altogether. Enough opposition exists to kill any reform that is not linked to a simultaneous reduction in tax rates. Unless Shamir can find ways to replace all the lost budget income—an unlikely event—he probably would not get a tax package approved by the Knesset Finance Committee, which must pass on all proposed financial legislation. Finance Minister Nissim is not likely to press the issue unless public opinion polls show a majority supporting further reform.

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Without reducing the budget deficit, the Shamir government has no chance of making significant progress on capital market reform before the next election. Instead, Tel Aviv again will need to tap the capital markets for debt financing. Even if the program were on track, the government would still have to contend with vested interest groups that would oppose and complicate the reform effort, according to the Embassy. So long as it continues to dominate the capital market, the government may raise the interest rate it pays to more competitive levels.

Privatization will not come close to meeting the government timetable because of a lack of suitable purchasers, investor uncertainties over Israel's bureaucracy and investment climate, and ministerial opposition. Israel conservatively estimates that only 60 firms are eligible for sale out of a total of 190 government corporations, according to the Embassy. Of these, several, including El Al, probably will remain too financially troubled to attract offers close to Israel's asking price. Most domestic companies do not have the cash to buy a government enterprise. Many foreign buyers will remain reluctant to entertain Israeli offers because of concern over the long-term prospects for the stabilization program, the Arab boycott, and the possibility of another Arab-Israeli war. Potential investors in public stock offerings will remain cautious because of possible government interference in corporate decision making. Moreover, Tel Aviv probably will experience protracted difficulties with ministers who do not want to lose the political power that goes with government ownership.

If Shamir approaches the election with no significant economic accomplishments, he may come under heavy pressure from his party to implement popular measures such as wage hikes and subsidy increases. Shamir may well acquiesce to head off maneuvering by Sharon and Deputy Premier David Levi, his major Likud rivals, who want to unseat him as Likud leader. Shamir also is likely to attempt to pass some of the blame for any shortcomings to Peres and the Labor Party. In the worst case, failure to agree on an economic policy that resolves the conflict between the deficit and the reforms could lead to a political crisis and a new election.

Implication for the United States

Israel almost certainly will turn to the United States for additional aid to cover its budget shortfalls. Shamir probably will argue in part that it would be unfair for the United States to deny assistance to his government after granting Israel \$1.5 billion in supplemental aid during Peres's tenure.

Tel Aviv is likely to press for additional money for a wide range of specific projects in defense and high-technology industries. The Israelis also will push to sell large government enterprises on US markets.



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The Israeli Left [redacted]

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Israel's leftist protest movements, academic groups, and political parties all urge the Israeli Government to make far-reaching concessions toward a peaceful resolution of the Arab-Israeli conflict. But their similarity ends there. Each advocates a different approach to peace, with some, like Netivot Shalom and the Progressive List for Peace, advocating autonomy for Palestinians on the West Bank, and others, like Mapam, endorsing negotiations with Yasir Arafat without first gaining the PLO's acknowledgment of Israel's right to exist. Despite the fact that their views are held by less than 20 percent of the populace, these groups are unlikely to quit their efforts. On the contrary, we believe that the leftist groups will increase their protests to counter potential hardline government policies during Likud leader Shamir's term as prime minister. [redacted]

During Labor leader Shimon Peres's term as Prime Minister from 1984 to October 1986, no major issue emerged to unite activists, and, consequently, protest activity subsided. According to Israeli press reports, Prime Minister Yitzhak Shamir's more hardline policies for strengthening settlements on the West Bank and Gaza Strip may provide a catalyst for renewed protests. [redacted]

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Activist leaders assert that they are not antiestablishment but hope to show that Likud does not represent all of Israel in its nonconcessionary security policy. They boldly and confidently shrug off critics characterizing them as "crackpots" and "traitors" condoning Palestinian terrorism. [redacted]

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Peace Movements

Peace movements in Israel, while usually small in number, are tenacious and vociferous in expounding their views. Each movement relies on its own supporters to march in the streets or flood the government with petitions to oppose a particular government stance. During the 1982 war in Lebanon and subsequent Israeli occupation, several protest groups emerged urging the government to withdraw Israeli troops from that country. They kept vigils outside Prime Minister Begin's home and at the Knesset. After the government announced its intention to withdraw in early 1985, these single-issue groups lost much of their appeal and momentum. [redacted]

Peace Now. Founded in 1978 by Army reserve members as a one-time effort to press Prime Minister Menachem Begin to make peace with Egypt and to protest continued settlement of the occupied territories, Peace Now is the largest and best organized of the protest movements. It has resisted internal pressure to become a political party and maintains the ability to unite several leftwing parties toward a common goal. Its membership is predominantly Ashkenazi:

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- **Platform.** Major territorial concessions on the West Bank and Gaza Strip; peaceful coexistence of Jews and Arabs; direct dealings with Arabs or Palestinians—including the PLO—if they first recognize Israel's right to exist and UN Resolutions 242 and 338.

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Peace Now, a better known and longer lived group than most, began in the late 1970s as a single-issue movement urging Begin to make peace with Egypt. It gradually expanded its agenda to include protesting increases in West Bank settlements, supporting Arab civil rights, and advocating territorial concessions on the West Bank. [redacted]

- **Financing.** United States and European Jewish community; 20 wealthy Israeli families are relied upon for funding large operations.

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- *Successes.* Staged 1984 Tel Aviv demonstration—attended by at least 400,000 people—to protest massacres at Sabra and Shatila that led to the ouster of Ariel Sharon from the Defense Ministry; persuaded army officers to publicly protest army brutality toward Arabs in Lebanon, which led to military trial and conviction of four Israeli soldiers.
- *Plans.* Increase support in Sephardi-dominated development towns and deprived city areas by advocating that economic assistance be provided for them rather than the occupied Arab territories; help Arab citizens of Israel and Palestinians in the occupied territories intensify political activity to strengthen their civil rights. [redacted]

Hamizrah el Hashalom (East for Peace). Founded in the early 1980s by Sephardi intellectuals, teachers, and students, Hamizrah el Hashalom seeks to promote peace and to discount the Ashkenazi claim that Sephardim are rightwing fanatics:

- *Platform.* Coexist with Arabs; improve development towns in the Negev desert; promote equal rights for Arabs; and strengthen understanding between Ashkenazim and Sephardim.
- *Financing.* Independent donations from the Sephardi community.
- *Successes.* Formed the Committee for Israeli-Palestinian Dialogue to meet regularly with leading West Bank Palestinians; Neighborhoods Against Racism and Youth Against Racism to protest Meir Kahane's ultrarightwing Kach movement and the Knesset law outlawing direct contact with the PLO. [redacted]

Yesh Gvul (There Is a Limit). Founded in 1982 by reserve soldiers denouncing the war in Lebanon and demanding total Israeli military withdrawal, Yesh Gvul's members are predominantly young, middle-class Ashkenazim:

- *Platform.* Denounce the government's policy of military reprisals in Lebanon as terrorism; oppose annexation of the West Bank and Gaza; and promote civil disobedience to abet the group's protest activities.

- *Successes.* October 1986 demonstration outlining the Green Line, or pre-1967 boundary between Jordan and Israel, as a means of warning the Israeli public against blind acceptance of the territories as an integral part of Israel.
- *Plans.* Protest what the group perceives as the military government's favorable treatment of the Gush Emunim and other settlement movements on the West Bank and alleged army protection for prosettlement demonstrations. [redacted]

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Oz Veshalom and Netivot Shalom (Israeli religious peace movements). Both groups were founded in 1983 by leaders of the Orthodox Jewish community to oppose Meir Kahane's racist ideology:

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- *Platform.* Promote dialogue between Arabs and Israelis; foster religious and political tolerance by returning to traditional Jewish religious precepts; return the lion's share of occupied Arab lands excluding East Jerusalem. [redacted]

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MA'ANE (Response). An umbrella organization founded in 1985 by former members of Peace Now and Mapam, a leftwing political party, Ma'ane seeks to coordinate opposition to Kahane's Kach movement:

- *Platform.* Gain Knesset legislation clearly outlawing Kach as a terrorist group.
- *Successes.* In February 1986 drew attention to Kach's violent methods by demonstrating in Jerusalem after fighting broke out between the two groups. [redacted]

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Academic Groups

Based in universities, academic groups hope through the educational process to break down cultural and social biases within Jewish society and between Israelis and Arabs. According to US Embassy reporting, Israeli universities have begun to lean to the left after a brief pro-Likud period in the late 1970s and early 1980s. This does not reflect a nationwide shift to the left. Politically active students have long viewed participation and visibility on campus as a potential foundation for a future political career. Several Knesset members currently active in both Likud and Labor emerged from university political groups. [redacted]

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International Center for Peace in the Middle

East. Founded in 1981 by former Foreign Minister Abba Eban, this group functions as a political lobby seeking to promote public acceptance of major Israeli concessions as the price for peace and accommodation with the Arab world. The group maintains nonpartisan ties to Labor, Mapam, Shinui, the Citizens' Rights Movement; has contacts with prominent Palestinians on the West Bank; and enjoys support and financing from wealthy European benefactors:

- ***Platform.*** Educate Arab and Jewish children together to reduce cultural barriers and strengthen public support for territorial compromise on the West Bank.
- ***Successes.*** Established the Jewish-Arab Council for Peace, which holds frequent meetings with Palestinian leaders in Israel and abroad. [redacted]

Political Parties and Factions

Far-left political parties such as the Communist Rakah party and the Progressive List for Peace have removed themselves from Israel's political mainstream by refusing to accept Israel as a Jewish state. In coalition politics, the Labor Party looks to Zionist leftwing parties such as Mapam, the Citizens' Rights Movement, Yahad, and Shinui as potential partners in government. Despite this advantage, the smaller leftist parties are riven by internal feuding and possess only limited electoral appeal. [redacted]

Mashov. Yossi Beilin, political director general of the Ministry of Foreign Affairs, and Nimrod Novik, another close aide to Foreign Minister Peres, are leaders of this dovish faction of the Labor Party:

- ***Platform.*** Gradual abolition of the civilian administration in the West Bank and increased Arab responsibility for municipal, economic, and social affairs. [redacted]

Yahad. Led by political maverick Ezer Weizman, Yahad joined the National Unity government in 1984 and subsequently merged with the Labor Party. Weizman became Minister Without Portfolio and was active on former Prime Minister Peres's behalf in seeking better relations with Egypt and Israel's Arab

community. In Shamir's government Weizman will assume as yet undefined duties:

- ***Platform.*** Advocates equal rights for Arabs in Israel and talks with any Palestinian group—including the PLO—that first renounces terrorism. [redacted]

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Citizens' Rights Movement. A predominantly Ashkenazi party founded in 1973 by Shulamit Aloni as a feminist and antireligious movement, the Citizens' Rights Movement has become a major proponent of secular ideologies. Aloni proposes establishing a UN Council of Democracies to cut through the Arab-Israeli dispute and help reach a peace agreement. Former Prime Minister Peres gave Aloni tacit approval to explore her proposal, but, in our judgment, her movement's limited electoral appeal will continue to stymie Aloni's initiative:

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- ***Platform.*** Urges the government to grant Palestinians in the occupied territories self-determination and guarantee Arab citizens of Israel full civil rights. [redacted]

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Mapam. A member of the Labor Alignment, Mapam refused to join the National Unity government in 1984. Several members met without party sanction in Romania in November with PLO representatives under the auspices of the Romanian Writers' Association:

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- ***Platform.*** Calls on Israel and Palestinians to recognize each other's rights to exist and to self-determination; peace negotiations should be conducted by Israel, Jordan, and an authorized representative of the Palestinian people, which could be the PLO.

- ***Financing.*** Primarily by Kibbutz Artzi, a group of kibbutzim whose members are predominantly Mapam. [redacted]

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Shinui. A remnant of a 1977 attempt to form an independent centrist block, Shinui's members are predominantly young, middle-class Ashkenazim. Shinui garnered the majority of the Israeli Druze vote

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The Israeli Left**Peace Movements**

Peace Now. *Most prominent; calls for territorial concessions and Israeli dialogue with any Arab party recognizing Israel.*

Hamizrah el Hashalom. *Only Sephardi-led group; calls for Arab-Israeli coexistence, greater understanding between Ashkenazim and Sephardim, and development of Negev instead of the occupied territories.*

Yesh Gvul. *Opposes military retaliation and territorial annexation; promotes civil disobedience.*

Oz Veshalom, Netivot Shalom. *Two religious movements; oppose Kach, call for return of all occupied territories except East Jerusalem.*

Ma'ane. *Includes former members of Peace Now and Mapam; calls for outlawing of Kach as terrorist group.*

Academic Groups

International Center for Peace in the Middle East. *University-based intellectuals; believes education will break down cultural biases and promote peace; advocates territorial compromise.*

Parties and Factions

Mashov. *Dovish faction in Labor close to Peres; urges greater Arab responsibility in occupied territories.*

Yahd. *Three Knesset seats, merged with Labor during current coalition; calls for equal rights for Arabs in the territories and Israeli dialogue with PLO if it renounces terrorism.*

Citizens' Rights Movement. *Four Knesset seats; proposes UN Council of Democracies, a secular Israeli state, and full civil rights to Arabs in the occupied territories.*

Mapam. *Six Knesset seats; calls for mutual recognition between PLO and Israel, negotiations with Jordan and PLO.*

Shinui. *Three Knesset seats; proposes electoral reforms; maintains Druze support; remains open to territorial concessions.*

Progressive List for Peace. *Two Knesset seats; advocates Palestinian state on the West Bank with PLO representation, secular Israeli state within pre-1967 boundaries.*

Rakah. *Four Knesset seats; urges international conference with Soviet participation, withdrawal from all occupied lands, and recognition of the PLO.*

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in the 1984 election because of its placement of an Israeli Druze in the first place on its ticket:

- *Platform.* Advocates private enterprise and electoral reform; remains open to the idea of territorial compromise on the West Bank and Gaza.

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Progressive List for Peace. Founded in 1984 in an attempt to unite several leftist factions, the Progressive List for Peace is a challenger to the Rakah Communist Party for Arab support but remains out of consideration for coalition building:

- *Platform.* Urges the Israeli Government to establish a Palestinian state on the West Bank with PLO representation and promotes a democratic, secular state for both Jews and Arabs within pre-1967 boundaries.
- *Successes.* Organizes annual Land Day demonstrations commemorating the confiscation of Arab lands in Galilee in 1967 and maintains land fund for displaced Arab farmers. Party leader Mi'ari claims to have secured an agreement with Arafat in June 1986 to resolve the Arab-Israeli conflict through dialogue, not terrorism.

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Rakah. A Soviet-oriented Communist party, Rakah is unappealing to mainstream Israeli society, but for years it has been the major proponent of Arab rights. Like the Progressive List for Peace, Rakah is unacceptable as a potential government coalition member:

- *Platform.* Follows Soviet Communist line, calling for an international peace conference on the Middle East to include Moscow; Israeli withdrawal from all occupied Arab territory—including East Jerusalem; and recognition of the PLO.

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The Western Sahara Conflict: The Stalemate Continues

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The dispute over Western Sahara shows no sign of a diplomatic or military solution. Although Morocco, Algeria, and the Algerian-backed Polisario guerrillas publicly support a negotiated settlement, none are ready to make the compromises necessary to end the war. During the past two years Morocco has improved its military position, but Algeria continues to hold the diplomatic upper hand. Domestic factors probably are not enough to encourage Morocco or Algeria to intensify the fighting. The most immediate danger is that either party will seek outside help or attempt to include Mauritania in the battle zone to break the deadlock. Such developments would heighten the risks of direct conflict between Algeria and Morocco and complicate efforts by Washington to expand ties to both countries.

A War of Attrition

Eleven years of combat between Moroccan troops and Algerian-backed Polisario insurgents for control of Western Sahara have produced a stalemate. We believe that military activity is at the lowest level in years. The primary reason for the reduced activity is that Rabat has completed the seventh portion of an earth berm. The berm has helped King Hassan to consolidate his hold on two-thirds of the former Spanish colony, including all of the economically useful territory. The berms give Moroccan troops a shield for static defense. The guerrillas have engaged in only periodic, small-scale raids that have cost both sides only a handful of casualties and not changed Morocco's territorial control. We believe that Morocco's strategy has enabled it to control the region but not to pursue an all-out military victory. Although King Hassan fields about 80,000 troops in the region against the Polisario's 3,000 combatants, we believe that the Polisario, with Algerian support, is capable of maintaining or expanding the current level of fighting. Algeria provides sanctuary and economic aid for Polisario troops, the Sahrawi refugees aiding the insurgents, and the Saharan Democratic Arab Republic (SDAR)—the Polisario government-in-exile. Algiers also gives the insurgents an impressive array

of weapons. The dispute is at a political impasse as well. No major diplomatic initiative has been launched by either side in nearly two years. In early 1985 Algeria proposed that Morocco assume sovereignty over the territory but allow the SDAR a high degree of autonomy. Earlier this year UN mediators engaged Moroccan and SDAR diplomats in "proximity talks" in New York. They based their initiative on a call by King Hassan last fall for a unilateral cease-fire and a renewed commitment to a referendum that would decide the status of Western Sahara. Hassan probably made these gestures to pave the way for his trip to Washington last summer—subsequently canceled—and to quell criticism that Morocco was not seeking a peaceful solution to the dispute. The talks have foundered primarily because the two sides cannot agree on the terms of the cease-fire and a political settlement.

The Goals of the Adversaries

Morocco. We believe that the driving force behind King Hassan's prosecution of the war is a strong national commitment to the cause. Most Moroccans support the King's goal of incorporating the region. According to the US Consul in Casablanca, Moroccans believe the war is an attempt by Algeria to dominate Western Sahara as well as extend its influence in the Maghreb, and that King Hassan should pursue the conflict until Rabat's goals are achieved. The war imposes relatively limited burdens on Morocco. We believe the war costs at least \$500,000 each day, a price the regime has sustained without undercutting urban living standards. Although desert conditions impose hardships on the troops, pay differentials and other benefits have precluded widespread military dissatisfaction.

Algeria. Algiers, for its part, believes that Hassan's control over the territory would mean Moroccan dominance of the Maghreb. Algeria originally supported independence for Western Sahara, but

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President Bendjedid has revised his government's position because of Moroccan military gains, the decline in Algerian oil revenues, and the burden of supporting Polisario refugees. His new objective—as suggested in his 1985 initiative—appears to be a face-saving formula involving a semi-independent Western Saharan state under a Moroccan flag.

The Polisario Front. The Polisario lacks the military strength to attain independence. Bendjedid's publicly announced willingness to accept less than total independence for Western Sahara and his limits on Polisario military activity have created tension within the anti-Moroccan alliance. The Polisario hopes to regain the military initiative by adopting more aggressive tactics, including use of armor in engagements, commando raids behind the lines, and even terrorism against Moroccan interests.

Outlook

Diplomatic Initiatives. In our view, the chances of a negotiated settlement in the next three to five years are dim. Only a major change in players in Rabat would cause us to revise this judgment. There are no indications that King Hassan and President Bendjedid are prepared to meet or even authorize low-level meetings. As long as King Hassan has the upper hand militarily, he will not agree readily to substantive discussions with Algeria, let alone with the Polisario. Third-party mediation by the United Nations has proved feckless, and this organization is not likely to find a solution acceptable to both sides any time soon.

Military Initiatives. Both sides want to avoid making Algeria a full participant in the war. King Hassan is likely to continue his current strategy, since it has proved successful. We do not see any domestic problems in the short term that would require him to reconsider his tactics. Nevertheless, there are developments that could lead the King to become more aggressive:

- If outsiders, such as Libya, became involved, particularly if linked to the Polisario's devising tactics to penetrate the berm.
- A sharp decline in the Moroccan economy, prompting Rabat to beat the war drums to head off widespread unrest over declining living standards.
- A sustained campaign of Polisario commando or terrorist raids deep inside Moroccan territory.

Algeria is likely to continue supporting the war at a reduced level because of shortages of funds caused by declining oil revenues and uncertainty over military strategy against the berm. Nonetheless, Bendjedid may have to take a more aggressive posture if:

- Algerian frustrations build over the lack of progress toward a negotiated settlement.
- Elements opposed to Bendjedid's policy of "moderation" gain greater influence in the Algerian military or ruling party.
- A domestic and international perception develops that Morocco, through the war, was gaining the upper hand in the Maghreb.

Foreign Intervention. The absence of progress toward a negotiated settlement increases the potential for foreign intervention as a means to break the stalemate.

Although we have no firm evidence that Morocco and Algeria are seeking foreign assistance, the breakup of the Moroccan-Libyan union raises the possibility of renewed Libyan involvement in the conflict.

In our view, Algiers will allow Libya to resume aid to the Polisario because of Algeria's economic problems and the burden of supporting the conflict. Although the Polisario could press Algeria to accept increased military aid from Libya, Algiers will not allow Tripoli to impose a military and diplomatic strategy on the Polisario. Libya probably would accommodate Algiers in the hope of forming closer ties to Algeria. Tripoli's support to the Polisario also would signal Qadhafi's displeasure over Hassan's abrogation of the Moroccan-Libyan union. Nevertheless, because of his own financial problems and interest in maintaining ties to Morocco, Qadhafi is likely to provide less sophisticated weapons than the armor and surface-to-air missiles he sent to the Polisario in the early phases of the war.

Morocco almost certainly would use resumed Libyan support to the Polisario to press France and the United States to join the fray. If Hassan is dissatisfied with the response from Paris and Washington, he might look to Israel. Algeria already believes—erroneously, in our judgment—that the Israelis are

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supporting Morocco militarily in Western Sahara as a result of the meeting between Hassan and the Israeli Prime Minister last summer.

Morocco and Algeria may also attempt to change the status quo by expanding the war into Mauritania. That country represents the soft underbelly of the Western Sahara war, given the lack of control by Nouakchott over its northern frontier. Both countries could try to bring Mauritania, which is neutral, into its sphere of influence. Algeria and the Polisario see northern Mauritania as a convenient base of operations for expanded attacks on Moroccan forces. For Algiers, such an option would avoid the danger of Moroccan hot pursuit into Algerian territory and a major military clash. At the same time, Hassan could use hot pursuit into Mauritania to satisfy demands within his military to respond aggressively to Polisario assaults.

A less likely possibility is an attempt by Bendjedid to influence Mauritanian President Taya to allow the Polisario to base its forces in his country's northern region. If Hassan perceived that Bendjedid were following this course, he too might attempt to undermine Taya's regime.

Rabat's reluctance to go this route would be based on the likelihood of Algerian intervention. Hassan almost certainly is aware that Algiers would justify such a move under the joint defense provisions of its Treaty of Fraternity and Concord with Mauritania.

Prospects for US Interests

Continuation of the stalemate gives Washington the maneuvering room necessary to expand ties to Algeria and to develop a more balanced relationship with the principal players in the Maghreb. Hassan would like to have the full support of the United States for its position in the dispute, but he probably will be satisfied with Washington's neutrality.

Hassan nonetheless wants further US military aid, in particular armor and trucks. In the unlikely event that Algerian intervention in the conflict turned the tide against Morocco, Hassan almost certainly would increase his pressure on Washington for more sophisticated weapons such as the F-16 fighter

aircraft. Moroccan acquisition of the F-16 would have a limited effect on the war, however, because of Algeria's overwhelming superiority in the air. To the extent that Washington does not respond to Moroccan needs, Hassan would turn to France.

Algerian-US relations are not likely to be affected by the Western Sahara conflict, unless Algiers perceives that a significant increase in US military assistance to Rabat is responsible for a more aggressive Moroccan posture. In such a case, Algiers almost certainly would insist that Washington restrain Hassan or risk a rupture in US-Algerian cooperation.

Algiers could also use increased US support for Morocco as justification for giving the Polisario freer rein to attack Moroccan positions along the berm or civilian targets inside Morocco.



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Iraq-Kuwait: A Fragile Alliance

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The Iran-Iraq war and Iraq's need for Kuwaiti support have influenced Baghdad to maintain good relations with Kuwait despite unresolved territorial claims between the two countries. Kuwait, more fearful of a victorious Iran than an irredentist Iraq, has provided Baghdad with financial, military, and diplomatic support during the war. Baghdad has at least temporarily shelved its territorial claims against Kuwait, and consultations with Kuwait and other Gulf states have become a regular feature of Iraqi diplomacy. If the current regime in Baghdad remains in power after the war, Iraqi moderation toward Kuwait probably will continue for the short term. Once Iraq's economy recovers and the threat from Iran recedes, however, Iraq is likely to put more pressure on Kuwait as Baghdad tries to assume a dominant role in the region.

Prewar Tension

Iraq's territorial designs on Kuwait were a repeated source of tension between the two countries before the Iran-Iraq war began. The dispute is based on Baghdad's claim that Kuwait was an integral part of Iraq under the Ottoman Empire and that Iraq, as successor to this empire, should inherit the oil-rich shaykhdom, including the islands of Bubiyan and Warbah. Moreover, control of the disputed territory has strategic significance for Baghdad. Iraq has only 80 kilometers of Gulf coastline, most of which are marshy and unsuitable for construction of port facilities. Before the war, most of Iraq's trade passed through Basra, but Iraq built two alternative ports to guard against an Iranian blockade—Umm Qasr for general cargo, and Al Faw for oil exports. The wartime closing of Basra has made control of the Kuwaiti islands a strategic imperative for Iraq, since Iran's blockade has cut off Iraq's access to the Persian Gulf through the Shatt al-Arab and left Umm Qasr the only port through which Iraq can export oil.

Historical Sparring Over Kuwaiti Territory

Immediately following Kuwait's independence from the United Kingdom in 1961, then Iraqi Prime Minister Qasim revived Iraqi historical claims and declared Baghdad's sovereignty over Kuwait. Kuwait, supported by the United Kingdom and the Arab League, rejected Iraq's claims and tried to appease Iraq by providing financial assistance. Iraq recognized Kuwait's existence in 1963, but the common border is still disputed.

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Tensions have erupted periodically since then. Iraqi troops temporarily occupied Kuwaiti positions on Bubiyan Island in 1971 and seized a Kuwaiti police post overlooking Umm Qasr and a small strip of adjacent territory in 1973. Iraqi forces occupied a Kuwaiti border post at Samitah in 1975, and Baghdad demanded the cession of Bubiyan and Warbah in 1977, claiming that control of this territory was essential for its national security. Iraqi forces eventually withdrew from the border post but retained the adjoining strip of Kuwaiti territory, on which Iraq was already building military facilities.

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In subsequent negotiations Iraq offered to drop all claims to Kuwaiti territory if Kuwait agreed to surrender a 20-kilometer strip of land near Umm Qasr, the island of Warbah, and at least the northern half of Bubiyan. Kuwait, sensitive to Iraq's history of contesting border agreements but realizing the strategic importance to Iraq of the two islands, agreed to lease the territory around Samitah and the two islands, provided Baghdad acknowledged Kuwaiti sovereignty over the areas. Iraq refused, and, despite several high-level discussions between Iraq and Kuwait, a permanent solution to the territorial dispute has not been found.

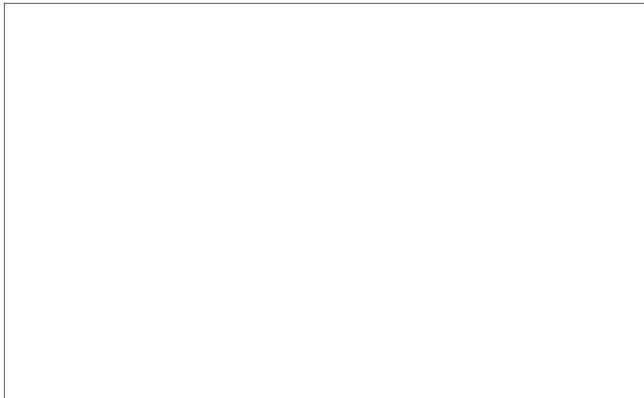
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interests more closely with those of its Gulf Arab neighbors and will motivate Baghdad to continue its moderate policy toward them. [redacted]

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Iraq's quest for a regional leadership role also may discourage subversive efforts against the moderate Arab Gulf states. [redacted]

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[redacted] Baghdad appears to realize that attempts to overthrow the Gulf regimes might only play into the hands of Iran. [redacted]

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Wartime Cooperation

Iraq's invasion of Iran in September 1980 challenged Kuwait's renowned ability to play off its two hostile neighbors against one another. Kuwait initially proclaimed its neutrality but soon assumed a pro-Iraqi tilt. Kuwait felt constrained to support Iraq because it perceived a victorious Iran as a greater and more immediate threat. At the same time, it tried to accommodate Iran to avoid military retaliation or subversion of Kuwaiti Shias, who constitute over 40 percent of the native population. [redacted]

Nonetheless, barring a change of regime in Iraq, Baghdad probably will become more demanding in its dealings with Kuwait after the war and will renew efforts to dominate regional politics. There are several contentious issues that could lead Baghdad to revert to its prewar bullying of Kuwait. Iraq has made little effort to reconcile its border dispute with Kuwait, despite Kuwait's generous wartime assistance.

Baghdad will not cede the small strip of Kuwaiti territory that it appropriated in 1973, in large part because it has built a major naval base at Umm Qasr. Saddam also has asserted that Iraq needs Bubiyan and Warbah to protect the naval base and to help keep open its Gulf oil lanes in the event of another war. We believe, however, that Iraq will not try to seize the islands because the political costs would be too high. Moreover, the smaller Gulf states have long been wary of Iraq's hegemonic ambitions and would probably cut aid to Baghdad if it seriously threatened Kuwait. Nevertheless, Baghdad is unlikely to forget its longtime territorial claims and may renew them periodically to remind Kuwait that Iraq is still a force to be reckoned with. [redacted]

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Kuwait has provided generous financial, political, and logistic support to Iraq since early in the war. This support includes:

- Over \$10 billion in economic aid.
- Transshipment facilities for Iraq-bound cargoes, including Soviet-supplied military equipment.
- Increased oil production to help meet the needs of Iraq's customers and to generate revenues for long-term, interest-free loans to Iraq.
- Diplomatic support in the United Nations, the Arab League, the Nonaligned Movement, and the Islamic Conference Organization. [redacted]



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Postwar Relations

The war has made Baghdad realize that in an all-out confrontation with Iran, Iraq lacks strategic depth because of the vulnerability of its trade routes. Iraq's major preoccupation after the war will be to rebuild its crippled economy and position itself for a possible renewal of fighting. To accomplish these goals, Baghdad will need allies in the Gulf. The alternative oil outlets that Iraq has developed, such as the pipeline through Saudi Arabia, are intertwining Iraq's

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North Yemen's Tense Military Relationship With Moscow

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Sanaa has recently intensified its efforts to replace Soviet military advisers and restrict their access to military facilities in North Yemen. President Salih is trying to counter Soviet pressures—including the threat of an arms embargo—aimed at discouraging Sanaa from supporting South Yemeni exile forces and encouraging political accommodation with the current regime in Aden. It is unlikely that Salih can reduce his reliance on Soviet military aid, but he probably hopes his overtures to moderate Arab states will secure additional non-Soviet aid and cause Moscow to be more generous with new arms. In any event, tensions between Sanaa and Moscow are likely to increase in the near term.

Soviets.

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F-5s soon will conduct similar exercises with MIG-21s based closer to the South Yemeni border. Three North Yemeni pilot instructors from the F-5 squadron have been assigned to each of the three Soviet-equipped squadrons.

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The Trouble With Ivan

Salih's latest efforts to replace Soviet military advisers and arms probably are intended primarily to counter Moscow's attempt to use military aid as a lever to force him to end military support for South Yemeni exile forces. Moscow has refused to consider Sanaa's request for new military assistance and has threatened to substantially increase military aid to South Yemen.

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Baiting the Bear

Salih's recent moves to replace Soviet advisers have angered the Soviets.

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arrived in early October to fill Soviet teaching positions at North Yemen's new staff officer college.

the Soviets are delaying the delivery of previously promised equipment such as additional SA-3 surface-to-air missiles.

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Recent public remarks by Salih have given the Soviets cause for concern. Salih used his National Day address on 26 September to call for an end to North Yemen's reliance on one nation for military aid—remarks that surprised the Soviets.

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Salih has solicited additional military assistance from Egypt, including replacements for its Soviet-made weapons.

Although the Saudis have not promised North Yemen major new military aid, the defense attache in Sanaa reports the Soviets are concerned that Salih's recent meeting with King Fahd may have produced a commitment for major military aid for Sanaa and its program to support the exiles.

Salih also has restricted the activities of Soviet military advisers in North Yemen.

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The defense attache in Sanaa reports that Soviet military advisers were removed from

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In another snub at Moscow, the North Yemeni Air Force recently began unprecedented training involving both US- and Soviet-trained and -equipped combat aircraft squadrons without consulting the

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North Yemeni units near the South Yemeni border and on several occasions were barred from airfields at Sanaa and Taiz. [redacted]

military advisers to monitor South Yemeni exile activity or North Yemeni military sites near the border. Salih may also seek Arab pilot instructors and technicians to support intensified crosstraining between his US and Soviet aircraft squadrons. In addition, he may try to obtain Arab air defense personnel to augment or selectively replace Soviet advisers serving in the Marib oilfields, where Sanaa plans to deploy its first SA-3 missiles to reduce its vulnerability to South Yemeni air attack. Salih, however, will be unable to completely replace Soviet advisers in the Air Force or air defense forces, and North Yemen will continue to rely heavily on Soviet maintenance and logistic support in those services.

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Salih's moves probably have been facilitated by dissatisfaction in his armed forces with Soviet advisers and training. [redacted]

[redacted] crashed in early October, killing its pilot. Accidents have claimed six of North Yemen's Soviet combat aircraft this year, [redacted] Sanaa attributes the mishaps to poor Soviet flight training and shoddy maintenance. The North Yemenis strongly prefer US-supplied F-5 fighter-bombers, [redacted] an impression that was reinforced in mid-October when the F-5s found and intercepted an unidentified aircraft after MIG-21s had been scrambled and failed to do the job. [redacted]

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Outlook

Financial constraints will limit Salih's ability to make significant reductions in the Soviet military presence in Sanaa, but he probably will be able to use the issue to exert increased leverage on Moscow. The Saudis probably are willing to subsidize a small number of additional advisers from Arab states such as Egypt and Jordan. Riyadh, however, is unlikely to subsidize major military assistance to Sanaa without imposing political conditions that Salih would find unpalatable. Nonetheless, Salih probably will try to use even low levels of assistance from moderate Arab states to show Moscow that he has lined up potential non-Soviet sources of aid and that an arms embargo by Moscow could only reduce Soviet influence in North Yemen. At the same time, Salih may try to obtain new arms from Moscow by promising to refrain from supporting South Yemeni exile operations, even though he remains opposed to the current Aden regime. [redacted]

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In any event, we believe that tensions between Moscow and Sanaa will increase over the short run as Salih continues to restrict the ability of Soviet

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India: The Succession Struggle in the Nuclear Establishment [redacted]

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Prime Minister Rajiv Gandhi will soon decide whether to appoint a new head of India's nuclear program or keep its present chief, Raja Ramanna, for another year. The future chairman may not have much influence on decisions about nuclear weapons, but the selection could give some clues to the direction of India's nuclear policy. According to US Embassy reporting [redacted], at least four Indian scientists are in the running to replace Ramanna, who passed retirement age in February 1985 but continues to lobby hard to remain as chairman. [redacted]

emphasis on opponents' mistakes and their own accomplishments as managers and are all but ignoring differences about nuclear weapons. Nevertheless, both foreign and Indian observers probably will see Gandhi's choice as a strong indication of whether India will decide to build a nuclear arsenal. [redacted]

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The future nuclear chief, who presumably will be a technocrat, is not likely to have an extensive personal role in decisionmaking about nuclear weapons programs despite the DAE's role in planning and implementing nuclear policy. Gandhi holds the defense portfolio and has the final say on such programs, according to US Embassy officers. That decision will almost certainly depend largely on India's perceptions of Pakistani nuclear development and on how the political establishment—led by Gandhi—chooses to respond to these perceptions. [redacted]

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The Role of the Chairman

The offices of Secretary of the Department of Atomic Energy (DAE) and Chairman of the Atomic Energy Commission are traditionally held by the same person. He serves as a national lobbyist and spokesman for the nuclear establishment. The next chairman's effectiveness will be judged by how quickly India can develop its nuclear power capabilities and achieve the DAE's goal—judged optimistic by the US Embassy—of 10,000 megawatts (MW) of power by the year 2000. (Current capacity is about 1,330 MW, with projects under construction slated to increase capacity to 2,270 MW by 1992.) [redacted]

Embassy officers note that the chairman would sit on one of the two committees Gandhi would look to for advice and support:

- *The Atomic Energy Commission.* This body, including Ramanna, oversees atomic energy efforts. Five of its eight members have technical/nuclear positions.
- *The Political Affairs Committee.* Composed of five senior Cabinet officials—none of whom have technical backgrounds—this committee advises Gandhi on a whole spectrum of national and international issues. [redacted]

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The DAE Secretary's official capacities include overseeing the design, construction, commissioning, and operation of India's atomic power stations. He oversees the Bhabha Atomic Research Center in Bombay, the Research Reactor Center in Kalpakkam, the Nuclear Fuel Center in Hyderabad, the Heavy Water Project in Bombay, and the Power Projects Engineering Division in Bombay. [redacted]

The Chairman and Nuclear Weapons

[redacted]

Dividing the Indian nuclear establishment into hawks and doves exaggerates and oversimplifies the differences among senior nuclear officials. Views on nuclear weapons are only one of many factors that

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[redacted] In the campaign, candidates are putting considerable

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determine positions on most nuclear issues. Opposition to Soviet nuclear power plants, for example, results partly from fear that Soviet-imposed safeguards will hinder the production of weapons, but it is also because of personal rivalries, a belief that accepting foreign help hurts the prestige and reputation of India's nuclear program, the incompatibility of Soviet reactors with some aspects of the Indian program, and concern about the safety of Soviet reactors.

[redacted]

We believe that many doves in the nuclear establishment would go along with a weapons program if convinced that Pakistan had a nuclear arsenal. Public statements by doves opposing weapons may reflect the official government line more than personal views.

[redacted]

Ramanna's Tenuous Prospects

Ramanna reached the mandatory retirement age in January 1985 but received an extension from Prime Minister Rajiv Gandhi.

[redacted] Ramanna is now pressing Gandhi to further extend his term as DAE Secretary.

[redacted] Ramanna has tried to convince Gandhi that he has too little time to make a selection and that Ramanna's election as President of the International Atomic Energy Agency Conference for the coming year requires that he remain in his position.

Ramanna's detractors dispute both claims.

[redacted]

Ramanna's stalwart, effective opposition to nuclear safeguards and the nonproliferation treaty often places him in opposition to US nuclear proliferation policy. He has told Embassy officers that he believes US nuclear nonproliferation policy is anachronistic and unnecessarily limits low-level technology transfer. These officers also say that Ramanna, who was the architect of India's "peaceful nuclear explosion" in 1974, is clearly frustrated by the lack of US cooperation in the export of spare parts and enriched fuel. He opposes accepting Soviet offers of nuclear power plants, in part because the offers require implementing safeguards,

[redacted]

Growing Problems for Ramanna

Gandhi blames mismanagement by the current nuclear establishment for a number of setbacks over the last year,

[redacted]

These setbacks have included design problems that may result in the decommissioning of one reactor, a four-month shutdown of another for a generator replacement and the spillage of tons of heavy water when the reactor was restarted, design problems that delayed the startup of a third reactor, and a well-publicized explosion and fire at a heavy water plant. Ramanna has countered with regular public speeches about the program's accomplishments, especially the development of a breeder reactor and a uranium enrichment capability.

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The Candidates

Although Ramanna seeks to preserve his power, at least four other scientists are contenders for the appointment:

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- *M. G. K. Menon, Science Adviser to the Prime Minister.* Menon, 58, who holds two of the most strategic posts in the Indian science and technology establishment, is a favorite contender in DAE circles, [redacted] His detractors note that he is nearing mandatory retirement age,

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Menon's office as science adviser to the Prime Minister is modeled on the White House Office of Science and Technology Policy. His views on nuclear weapons presumably are close to those of Gandhi. Menon has worked extensively on sensitive Indo-US technology transfer cases. Embassy officers say Menon has "great appreciation" for US science and technology and has helped to foster bilateral cooperation in this area. An internationally recognized physicist, Menon spent years researching cosmic ray and elementary particle physics.

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- *Vasant Gowariker, Secretary, Department of Science and Technology.* Although we do not know Gowariker's views on nuclear weapons development, we believe he would favor channeling Indian nuclear

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energy into peaceful projects. As cochairman of the Indo-US Subcommittee on Science and Technology, he has pressed for quick and tangible progress on cooperative projects. We believe he would bring the same attitude to India's push for a rapid increase in nuclear energy generation. Gowarikar, 53, is a candidate because of his managerial ability.

[Redacted]

[Redacted] Gandhi's respect for Gowarikar is indicated by his appointment to the non-DAE committee investigating the explosion at the heavy water factory. Although the space program is far behind its launch schedule, Gandhi probably has not blamed Gowarikar, who has been Science and Technology Secretary only since July 1986. US Embassy officers say Gowarikar, a specialist in propellant rocket engines, is one of India's most knowledgeable science and technology advisers and the most valuable contact for new Indo-US activities in this area. He is the only one of the contenders who is not a member of the Atomic Energy Commission.

- *M. R. Srinivasan, Chairman, Nuclear Power Board, Atomic Energy Commission, and Director, Power Projects Engineering Division, DAE.* Early this year Srinivasan was quoted in the press as stating, "We are not in favor of using nuclear energy for manufacturing bombs . . . We are using (it) for peaceful purposes only." During his tenure as Nuclear Power Board Chairman, Srinivasan has emphasized creating an indigenous capability for manufacturing nuclear equipment and components.

[Redacted]

[Redacted] he is the leading proponent of accepting Soviet reactors, arguing that India cannot meet its long-range electricity production goals without foreign help.

[Redacted]

- *P. K. Iyengar, Director, Bhabha Atomic Research Center.* We believe Iyengar, 55, a friend and protege of Ramanna, would share his mentor's hawkish line on nuclear proliferation. Iyengar received India's second-highest civilian award for his role in the 1974 nuclear test. He heads India's premier center for nuclear energy research and development. The Bhabha Atomic Research Center has at least four research reactors on its premises. He is an expert in materials with specialization in neutron and reactor physics and solid-state physics.

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Outlook

A year ago Iyengar appeared to be the almost certain choice to replace Ramanna. Iyengar and Ramanna, however, have received more of the blame than Srinivasan for setbacks in the nuclear program. Srinivasan may now be the favorite, but the setbacks have also increased the chance that Gandhi will pick someone like Menon or Gowarikar from outside the nuclear establishment. Who Gandhi chooses could significantly affect how well the nuclear power program is run and how effectively it can compete with other government programs for resources, and, to a lesser extent, this could influence decisions about questions such as whether India should accept extensive foreign nuclear assistance. Gandhi's choice is likely to have little impact on whether India builds nuclear weapons.

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The Pakistan People's Party: Pretenders to the Throne [redacted]

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The Pakistan People's Party (PPP), the country's largest opposition party, is trying to force a change of government in Pakistan, but its efforts are hindered by factional infighting, rival opposition parties, and public indifference. We do not believe it has more than a slim chance of forcing Zia out of office by violent demonstrations. The party still has considerable drawing power, however, with a reputation as the party for Pakistani peasants, urban slum dwellers, leftist students, and other have-nots. The memory of former Prime Minister Zulfikar Ali Bhutto, embodied in his daughter, party leader Benazir Bhutto, also keeps the party together. We believe that, if the PPP abandoned violent tactics and was given the opportunity to compete in fair elections, it would have at least an even chance of coming to power. A Bhutto-led PPP government would try to maintain cordial relations with the United States but would also probably take a more accommodating stance on the Afghanistan issue. [redacted]

new election. With disorder spreading, the Army removed Bhutto from power and established a martial law regime headed by Chief of Army Staff Zia-ul-Haq, a Bhutto appointee. [redacted]

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Bhutto was executed in 1979 after being convicted of conspiracy to murder a political opponent. Leadership of the PPP fell to his wife, Nusrat, and daughter, Benazir. [redacted]

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Revival in 1986

The Party of Bhutto

The Pakistan People's Party was organized in 1967 by Zulfikar Ali Bhutto, a wealthy landlord from Sind. The party's slogan, "Islam Is our Faith, Democracy our Policy, and Socialism our Economy," was designed to appeal to as broad a spectrum of Pakistanis as possible. It drew supporters from rural laborers, urban migrants, and leftist students. Bhutto's Sindhi background also was attractive to those Pakistanis who felt alienated by what they saw as increasing Punjabi domination of the country's political and economic life. [redacted]

After eight years of muted political activity under martial law, PPP activity has picked up since the restoration of civilian rule in December 1985 and Benazir Bhutto's return to Pakistan in April 1986. Bhutto returned with the goals of reviving the PPP, leading a new opposition movement to force Zia's removal, and holding a new national election to replace the government of Prime Minister Junejo and the Pakistan Muslim League. As reported by the US Consulate in Lahore, the PPP's "Action Plan" to topple Zia is summarized by the slogan "Throw Zia out, Bring in Democracy." Bhutto has been vague in her policy pronouncements, relying instead on general, populist themes designed to retain her father's political constituency. [redacted]

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Bhutto and the PPP came to power in late 1971 following the failure of the previous martial law regime to prevail in the war with India or prevent the secession of East Pakistan (now Bangladesh). His socialist policies alienated powerful groups such as businessmen and Islamic fundamentalists, according to scholarly studies. The PPP won the 1977 national election, but Bhutto's opponents charged him with rigging the polls and organized a movement to force a

Bhutto told US diplomats after her return that there would be three stages to the PPP's campaign for political change. The first would be a series of Bhutto-led PPP rallies across Pakistan in April and May that would demonstrate the popularity of the PPP. The second phase would be to reorganize the PPP and build up party enthusiasm and morale. The third stage was to be a nationwide campaign of nonviolent civil disobedience—fasts, labor strikes, and demonstrations. She predicted to US officials that the government would be pressed to announce new elections by fall 1986. Her campaign, however, went off course in August when the government reacted to illegal PPP demonstrations with mass arrests of party leaders, including Bhutto. [redacted]

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Benazir Bhutto



Benazir Bhutto is known for her sharp intellectual and rhetorical skills. Her aggressive and authoritarian style and lack of deference to party elders have alienated many people. In the past, Bhutto has relied excessively on her own strength and done little to cultivate members of the National Assembly or the military. Her recent failures, however, have forced her to reassess her strength and the efficacy of her strategy of popular agitation.

Bhutto, 33, first emerged in the limelight in 1972, when she accompanied her father to negotiations with India after the 1971 Indo-Pakistani war. After receiving B.A. degrees in government from Radcliffe College (1973) and in political philosophy and economics from Oxford (1977), she returned to Pakistan to see her father discredited by opposition politicians, tried for political murder, and eventually executed by President Mohammed Zia-ul-Haq's regime. After attempting to mobilize public support for her cause, she spent the following years under house arrest. She was released in January 1984 and went into exile in Europe. Her return to Pakistan last April produced a massive outpouring of admirers and curiosity seekers.

Policy Positions of the PPP

The PPP has not issued a comprehensive program recently, but party leader Benazir Bhutto has enunciated a series of positions designed to appeal to the PPP's natural constituency of Pakistani have-nots:

- Domestic:
 - Resignation of President Zia and new party-based elections.
 - Release of all political prisoners.
 - Full restoration of 1973 constitution.
 - Raising the minimum wage to 1,000 rupees (\$63) per month.
 - Rehiring of workers fired from government enterprises.
 - Mixed economy; no further nationalization of industries.
 - Ceiling on landholdings.
 - Reduction of taxes for small farmers while imposing agricultural taxes on large landowners.
- Foreign:
 - Genuinely nonaligned foreign policy.
 - Equally good relations with the United States and the Soviet Union; aid with no strings attached.
 - Withdrawal of Soviet troops from Afghanistan and return of Afghan refugees (PPP is publicly silent on issue of direct talks with Kabul).
 - Gradual normalization of relations with India on basis of 1972 bilateral Simla accords.

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PPP Organization

The PPP has a centralized party organization, with power concentrated at the top. Benazir Bhutto and Nusrat Bhutto are cochairpersons, although Benazir wields effective control because Nusrat is living in exile in Europe. The party's general secretary, Tikka Khan, runs day-to-day party operations under Bhutto's orders. There are PPP presidents and general secretaries in each of

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Pakistan's four provinces. US diplomatic reporting indicates that the PPP has effective organizations in Sind and Punjab but is relatively weak in Baluchistan and the North-West Frontier Province. Although membership data are unavailable—the PPP refuses to register with the government—we believe, on the basis of US diplomatic reports, that the PPP has the largest membership of all Pakistani political parties.

Besides the regular party apparatus, the PPP has several auxiliary organizations that act in a supporting role for the party's activities. The Pakistan Student's Federation (PSF) is the PPP's student wing and has branches at most colleges and universities in the country,

US diplomatic reporting indicates that the PSF is often involved in antigovernment and anti-US demonstrations. The PPP also established in 1985 a youth wing called People's Youth with the goal of providing ideological training in preparation for future party activities.

Disorganized in Reality

Despite its size and popularity with important segments of the population, the PPP is fractured and disorganized. Serious cleavages emerged in May when Bhutto arbitrarily dismissed Ghulam Mustapha Jatoi, the PPP leader in Sind. US diplomatic reporting indicates that Bhutto distrusts the older PPP landlord types, represented by Jatoi, and wants to replace them with younger persons she considers more loyal to her goals. In response, Jatoi and his followers organized in August the National People's Party, a moderate opposition party made up largely of anti-Bhutto politicians. Bhutto is concerned that other disaffected PPP members will defect to Jatoi's party.

The PPP is also divided between moderates and radicals. The radicals are pressing Bhutto to adopt more confrontational positions on domestic and foreign policy issues. Sources of the US Consulate in Lahore reported in May that People's Party leftists were criticizing Bhutto for her relatively moderate stance toward the United States.

Strained Ties to Other Parties

Another one of the PPP's Achilles' heels is its difficulty in cooperating with other opposition parties. The smaller parties of the Movement for the Restoration of Democracy (MRD), a loose coalition of opposition parties organized in 1981, often complain about the PPP's highhandedness and tendency to ignore their opinions. One member of the MRD, the Tehrik-i-Istiqlal party, withdrew from the coalition in October after the PPP criticized its decision to register with the government-run election commission. The US Embassy reports that MRD moderates resent the fact that Bhutto dragged them into a premature and counterproductive confrontation with the government last August.

The PPP also has had trouble with far-left parties in the MRD, which are pushing for more radical approaches. The US Consulate in Peshawar reported that a rally jointly held by the PPP and the leftist National Democratic Party in May turned unruly when the leftists accused the PPP of "tilting" toward the United States. US Embassy reporting indicates that at an MRD meeting in June, six leftist parties proposed a resolution over the PPP's objections condemning the United States for "prolonging the Afghan war and endangering Pakistan's security."

The PPP has also strained ties to MRD parties that are agitating for more provincial autonomy. The Awami National Party, led by veteran leftist politician Abdul Wali Khan, promotes separatism for the Pushtun-speaking people of the North-West Frontier Province. The Pakistan National Party, led by Ghaus Bakhsh Bizenjo, similarly pushes for more autonomy for Baluchistan. Although Bhutto calls for less federal interference in provincial affairs, she has reaffirmed her belief in the country's territorial integrity to win support in Pakistan's dominant Punjab province.

Aftermath of the August Unrest

The failure of the PPP's agitation last August to force Zia's removal and a new election has widened

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provincial disagreements within the PPP. At a PPP Central Committee meeting in Karachi in September, Sindhi PPP members berated Punjabi members for their alleged lack of support for the antigovernment agitation in Sind, according to US Embassy reports. Bhutto said she felt deceived by local Punjabi party leaders who had failed to produce promised large crowds in support of the PPP, according to Embassy sources. [redacted]

Probably the most noticeable sign of intraparty dissension, however, was the surprise resignation in October of Sind PPP leader Makhdoom Khaliqzaman. According to sources of the US Consulate in Karachi, Khaliqzaman was forced to resign by Bhutto because he had publicly criticized Punjab PPP leader Jahangir Badar for his failure to rally Punjabis in support of PPP demonstrations in Sind. Although others in the party have also criticized Badar's leadership, Bhutto refused to dismiss him for fear of dividing the party in Punjab. [redacted]

Bhutto has resumed holding mass PPP rallies across Pakistan to regain momentum and improve party morale. She told US diplomats in October she was planning tours of Sind and Punjab through early December. In a recent press interview she said that the purpose of the rallies would be "to prove that the opposition won't go away." During her late-October tour in Punjab, however, Bhutto attracted relatively small crowds compared with the masses that turned out to hear her last spring after her return to Pakistan, according to the US Consulate in Lahore. [redacted]

Prospects for the PPP

Benazir Bhutto realizes that the PPP was unprepared for the August confrontation and, for now, appears to be disavowing confrontation in favor of improving party organization. She acknowledged in a recent press interview that she has abandoned her fall deadline for new elections. [redacted]

[redacted] The PPP, however, will have to overcome the resistance of important interest groups in its quest for power. [redacted]

Foreign Support for the PPP?

Opponents of Benazir Bhutto and the PPP, including President Zia, have publicly insinuated that Bhutto and her supporters are receiving foreign support. Zia, in a June press interview, said he believed Bhutto was receiving money from India, although he admitted he had no proof. [redacted]

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[redacted] *A foreign leader close to Zia also expressed concern to US officials that Bhutto was being "sponsored" by Iran because her mother is a Shia from Iran.* [redacted]

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We have no evidence corroborating these claims. In our view, Bhutto neither needs nor desires foreign funding. She probably can finance her party's activities through contributions from sympathetic Pakistanis at home and abroad as well as her own family's considerable financial assets. She also probably realizes that public revelation of foreign financial support—especially from India—would smear her as a "tool" of foreign powers and set back her campaign. [redacted]

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The Army, still the key to power in Pakistan, is largely conservative and Punjabi dominated. [redacted]

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[redacted] Army officers are suspicious of Benazir Bhutto and fear that she would exact revenge on them for her father's execution if she came to power. In our view, senior Army generals would reimpose martial law if PPP-led agitation spread from Sind to the vital Punjab province. [redacted]

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The PPP is also faced with the determined opposition of the Jamaat-i-Islami, a well-organized Sunni Islamic fundamentalist party that led the 1977 agitation against Zulfikar Ali Bhutto. The Jamaat opposes Bhutto because she is both a woman and a secularist. US Embassy reports indicate that the Jamaat would take to the streets to prevent Bhutto and the PPP from coming to power. [redacted]

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Nonetheless, we believe the PPP has at least an even chance of coming to power in the next several years if it eschews violence and adopts moderate tactics. Bhutto's recent statements suggest she may be trying to steer the party toward a less confrontational path. An important indicator of future PPP moderation will be if it decides to participate in local elections scheduled for September 1987. In our view, a patient, longer term strategy for gaining power by the PPP represents more of a threat to the government than violent bursts of activity that can arouse public disfavor and provide a rationale for government repression.

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Bhutto remains a charismatic figure to many Pakistanis, and, given time, she may be able to capitalize on the inability of the government to deal with deep-rooted social and economic problems. If she came to power as the head of a PPP government, she would probably try to maintain cordial relations with the United States—including the continuation of US aid. In our view, however, bilateral ties would be strained, as Bhutto would also try to appease the anti-US leftists in her party. A PPP government would probably diverge from US policy interests on issues such as Afghanistan, narcotics, and nuclear nonproliferation.

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Pakistan: New Politics in Punjab

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The inability of opposition elements to spread disturbances into Punjab from elsewhere in Pakistan has given President Zia and the current Junejo government a crucial degree of security. Punjabis are unwilling to challenge the Punjabi-dominated Army while Pakistan faces external threats from Afghanistan and India. They also recognize that, economically, times have been good for them since the fall of the Pakistan People's Party in 1977. Urban social groups—bazaar merchants, Sunni clerics, small industrialists, the “Islamic middle class”—whose opposition would quickly tip the balance against the current regime give active behind-the-scenes support to President Zia.

A Bulwark of Stability

Punjab remains the dominant province and the key to political stability in Pakistan. No group or political party has a chance of gaining power in Pakistan unless it has a strong footing in Punjab or in the central institutions dominated by Punjabis. The province accounts for 56 percent of Pakistan's population and provides an estimated 75 percent of the personnel in the Army and federal bureaucracy, the country's most powerful central institutions. By virtually every measure, Punjab is the most developed province. It produces the great part of Pakistani wheat, the country's main food staple, and cotton, its major export crop, and has a large share of Pakistani industry.

Punjab is the cultural arbiter of the country, providing most of its books and films and housing the largest proportion of its universities and religious seminars. Punjab has the highest rural literacy rate of any province, although Karachi—in Sind—is the most literate city.

¹ This paper was prepared by an outside contractor. It was not coordinated within this Agency. The views expressed are those of the author.

Politics to the Fore

The election of February 1985, ending of martial law in December, and return of Benazir Bhutto in April 1986 significantly altered the shape and the stakes of politics in Punjab. Political activity is back to the Punjabi norm of energetic, highly personalized, high-stakes politicking.

The danger for Prime Minister Junejo and President Zia is that somehow the political process will slip out of control, forcing the Army to resume an overt political role. Prolonged urban violence led by the Pakistan People's Party very likely would bring the Army back, but so might a loss of confidence in Junejo's handling of affairs brought on by the kind of Sunni-Shia violence recently seen in Punjab.

The Junejo Coalition

Prime Minister Junejo depends primarily on a rural coalition of locally influential landlords who appear bent on using patronage and their lawmaking powers to enhance their political standing and to ease the entry of their class into large-scale industrial and commercial ventures. The key alliance appears to combine landlord and bureaucratic interests, with a junior partnership accorded to urban middle-class groups.

Internal stresses exist within the Junejo coalition. Competition for investment resources and basic disagreements over the balance between public and private investment could produce an urban middle-class defection from the Junejo coalition.

Recent attempts in the Punjab provincial assembly to undermine Chief Minister Nawaz Sharif suggest that the rural-urban cleavage in the Junejo coalition is

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Punjab, Punjabis, and Pakistan

Along with the North Indian Muslims who migrated to Pakistan in 1947 (muhajirs), the Punjabis are the Pakistani cultural group most thoroughly identified with Pakistani nationalism. Innately conservative, they have always rallied to the center when threatened by external powers and have been prone to interpret minority demands for autonomy as antinational conspiracies, probably abetted from abroad. Along with Karachi, Punjab has gained the most from the development policies pursued by successive regimes since independence. Punjabis have been the most prone to spread out from their own province as internal colonizers, gaining much of the newly irrigated land in Sind and Baluchistan. They have followed the military, the police, and the bureaucracy into inner Sind and the underpopulated regions west of the Indus, establishing Punjabi colonies as traders, teachers, small entrepreneurs, and government contractors. [redacted]

Pakistan has always been ruled by a coalition of interests that includes Pushtuns, Punjabis, muhajirs, the landed elite of Sind, and a section of the Baluch Sardars. This alliance, and the underlying interest groups that support it, provides stabilizing linkages that cut across provincial and ethnic identities. Although this alliance remains intact, greater numbers of Punjabis have been emerging in key positions, particularly since the 1977 coup. [redacted]

Punjabis generally do not act self-consciously as Punjabis in the minority provinces, although their culture, their propensity toward nepotism, and the petty corruption of the lower bureaucracy are irritating to non-Punjabis. Patron-clientism as a way of life among Punjabis clashes with, and undermines, the traditional tribal cultures west of the Indus. In Sind, where traditional identities imbue patron-clientism even more than in Punjab, the grip of Punjabis on the police and the bureaucracy are seen as tools to drive Sindhis into rural backwaters, contain them there, and open more of the productive, irrigated land to Punjabis. [redacted]

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Demography and Punjabi entrepreneurship suggest that the Punjabi expansion is inevitable and unstoppable. Caught between the industrial engine of Karachi and the dominant province to the north, the Sindhis' push for autonomy probably will become more intense, possibly even following established models of rural guerrilla resistance (the Hur Rebellions of the 1890s and the 1940s). In the end, however, unless an outside power intervenes, the Sindhis will have to come to terms with Punjabi dominance, perhaps surviving as the Welsh have in Great Britain as a culturally rich minority. [redacted]

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widening. Sharif represents urban business and industrial interests, while those who oppose him in the ruling Pakistan Muslim League (PML) are rural members of the provincial assembly led by Makhdumzada Hassan Mahmud, an old pro at factional infighting. Mahmud is a political ally and relative by marriage of the Pir of Pagaro, Junejo's spiritual and political mentor. The anti-Sharif faction accuses the chief minister of protecting students of the Jamaat-i-Islami's student group arrested in bloody clashes with members of the PML-backed Muslim Students' Federation in Lahore. It also accuses Sharif of complicity in the recent Sunni-Shia riots—the worst in Punjab since independence—by abetting Sunni and Jamaat interests.

The factionalism emerging in the ruling Muslim League, while typical of League politics, will probably undermine the confidence of the public and the Army in Junejo. The urban-rural division within the ruling coalition is fueling speculation about a "President's Group" and a "Prime Minister's Group" in the Muslim League. There may be some truth to such speculation. Having lost out in the elections, the urban and Islamic-minded groups may be seeking to regain their influence by appealing to President Zia, an old ally, or possibly to a group of hardline generals behind the scenes.

The PPP Challenge

The return of Benazir Bhutto to a tumultuous welcome in Punjab in April 1986 reestablished the Pakistan People's Party as the primary political alternative to both Zia and the PML. The crowds showed that the PPP's basic constituency of the urban and rural poor remains intact and most likely would bring the party to power both at the national and provincial levels in an open election.

Nonetheless, the failure of the PPP's civil disobedience campaign in August, which briefly landed Bhutto in jail, showed that:

- Critical urban opinion in Punjab does not support political change through violence. Few Punjabis want a return to Army rule, the most likely consequence of disturbances in Punjab. Fear of the Soviets and/or the Indians exploiting domestic unrest, particularly when strong regional demands are again being heard, makes Punjabis reluctant to support violent political change.
- PPP organization in Punjab is weak and lacks a capacity to sustain a confrontation in the streets. Although the poor can make their numbers count in an election, they lack the resources to support a mass movement. Much of the lower- and middle-level party leadership is reaching middle age, and the PPP evidently has failed to attract major support among the students—the shock troops of a mass movement.
- Despite the size of PPP demonstrations, important interest groups—beyond those that have always opposed Zia—are not coalescing around Benazir's leadership. The evidence suggests the PPP leader has alienated elements both in the PPP and the broader Movement for Restoration of Democracy (MRD) that could have been useful to her. By trying to go it alone, she isolated herself from the broader opposition and moved to cooperate only after the August failure.
- By allying with the left wing of her party, including Sindhi regionalists, and in calling for a budget whose distributive programs would be highly inflationary, she has abandoned the middle ground in Pakistani politics and frightened off the urban middle class in Punjab and Karachi.

- Her leadership is questioned by some in the PPP. Benazir probably weakened the party by replacing leaders of her father's generation with younger, more radical figures, which triggered the most serious split in the PPP so far.

The emergence of the National People's Party under Ghulam Mustapha Jatoi has provided Zia and the generals with a moderate and credible alternative should Prime Minister Junejo falter badly. The new party provides a vehicle for pragmatic PPP elements to bid for power. Although it probably will not cut into PPP support among the urban and rural poor, it has gained the support of influential landed notables in Punjab.

Outlook

President Zia is a formidable adversary and will not be easy to unseat. Not only is he a remarkably adept political player in his own right, but behind him stand institutions less pervious to mass political phenomena—the Army and bureaucracy. Key rural and urban interest groups have a major stake in peaceful, evolutionary change. They may have little love for martial law, but they would back the Army if the alternative is a descent into urban unrest or a return of Bhuttoism.

The main dilemma for Benazir Bhutto is how to force a confrontation in Punjab that leads to a transfer of power either directly or through elections. The groups currently in the ascendancy in the Punjab PPP might press for a general strike or a "stop the wheels" campaign that probably would lead to violence and would most likely bring about a return to direct Army rule. Bhutto understands this and has been more cautious since the failure of the mid-August campaign. She has moved to cooperate more closely with the MRD and in October quietly dropped her demand that midterm polls be held this fall. She has also accepted the resignation of her recently appointed Sind PPP president, an indication that she wants to mend fences with the old guard.

The emphasis now in the PPP probably will be on organization and preparations to contest the local elections in late 1987. The Punjab PPP President has already announced that thousands of local officials all

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over the province have applied for membership in the PPP, an indication of the party's strength in rural Punjab. The PPP will be hard to beat if the elections are held and if there is no considerable vote manipulation by the Pakistan Muslim League and the district commissioners. A PPP victory in the local elections would indicate the direction of public opinion in Punjab and put considerable pressure on members of the National Assembly and Punjab provincial assembly to loosen their ties to Junejo and start making deals with the PPP.

Prime Minister Mohammed Khan Junejo will remain the most politically exposed leader in Pakistan. Junejo has yet to credibly demonstrate his independence from President Zia and the senior civil service. His Pakistan Muslim League is being reorganized from the top down and has little popular support. With a national election scheduled for 1990, Junejo has the nearly impossible task of pulling together a center-right coalition, including the Islamic parties, that can take on the PPP/MRD candidates in head-to-head contests. Should he fail to stave off a PPP victory in the local elections in 1987, Zia may decide it is time to remove the Prime Minister.

For now, President Zia holds the strongest cards. Along with his senior advisers in the Army and higher bureaucracy, he will decide whether and on what terms the Pakistan People's Party will be permitted to contest for power. So far Zia apparently has Army backing for his strategy for civilian rule, although he has moved to strengthen his support in the cantonments in the aftermath of Benazir Bhutto's tumultuous reception in Punjab. His position would be threatened should widespread urban disturbances break out in Punjab. In that event, with or without Zia, the Army would be the key to how events turned out.

Looking Further Ahead

Perhaps the most significant development, in our view, is the emergence of an urban Islamic middle class as the balance wheel of Punjabi politics. We expect that this grouping will grow along with the country's economy and that it will become a more discrete and organized political force. Its capacity to dominate Punjabi politics, however, will be limited unless it can develop an alliance with the rural smallholders and find the means to roll back an ever more pervasive bureaucracy. For now, an alliance with the large landlords and bureaucracy provides protection from the demands of the urban workers and poor for a thoroughgoing redistribution of wealth. Should this grouping eventually decide to throw in its lot with the urban masses and the peasant holders of the heartland and canal colonies, Punjabi politics might never be the same.



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