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JPRS L/8497

6 June 1979

TRANSLATIONS ON NEAR EAST AND NORTH AFRICA  
(FOUO 23/79)

  


NEAR  
EAST



NORTH  
AFRICA

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INTER-ARAB AFFAIRS

MAURITANIAN GOVERNMENT RECEIVES SUBSTANTIAL AID FROM ARAB STATES

London THE MIDDLE EAST in English Apr 79 pp 104-106

[Text] The Mauritanian Minister of Finance & Commerce, Sidi Mohammed Ould Bnejara, told THE MIDDLE EAST on taking over his cabinet post offer after the coup d'etat in Nouakchott last July that the economic situation inherited from the previous regime was "catastrophic".

Foreign reserves, he said, were down to \$20mn, sufficient for only one month's imports, and there was absolutely no money in the Treasury, which was anyway running a \$50mn overdraft with the Central Bank. The former government had been obliged to take 160mn ouguiyas out of the state insurance company, SMAR, to pay employees and the money had to be repaid.

There was little doubt at the time that the situation was as bad as Ould Bnejara painted it. The question is now being asked, however: what steps is the new Government taking to reverse the slide into bankruptcy?

On the plus side, the new leadership has received substantial aid, mainly from friendly Arab states in the form of gifts and soft loans. For the first time, too, it has succeeded in obtaining funds from the STABEX scheme operated by the European Economic Community for developing-country signatories to the Lomé convention. In Mauritania's case these funds were to compensate for the shortfall in output of iron ore. Finally - and most important - it has seen a tentative end to the three years of war against the Polisario front, fighting the joint Moroccan-Mauritanian annexation of the Western Sahara.)

On the other hand, it was clear that medium-term and long-term measures were needed to rectify the "errors of the past". According to Ould Bnejara, long-term improve-

ment would require changes not only in economic structures but in the people's mentality. In the short term, he said, a complete survey of the economy was being carried out and investment legislation was being revised to liberalise the economy.

The international economic community endorses these plans for economic recovery in general terms, advising the Government to concentrate on streamlining the flow of foreign funds into the economy and on fiscal reforms. Many experts think the acid test is whether the Government can put life into the staggeringly inefficient administration.

Although some economic difficulties can be rectified, others are proving extremely difficult to overcome. For one thing Mauritania has been hit by the lethal Sahelian drought. Last year was the first year of reasonable rainfall since 1969,

and it will take many more such years to overcome the long-term socio-economic changes caused by eight years of drought.

Added to the effects of the drought, of course, the guerrilla war has brought economic ruin. Iron-ore production, hit by sabotage, fell during the first three months of 1978 to 30% below normal. Output for the whole of last year slumped to some 6mn tons, which is 2mn tons below the figure at which production begins to be profitable. This is particularly crucial for a country where (according to the latest World Bank Atlas) average income a head stood at only \$270 in 1977 and where iron exports account for over 80% of foreign revenue.

Immediately after last year's coup funds poured into Mauritania from Arab countries which were previously loth to pump money into what

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appeared to be a bottomless pit.

The Saudis, for instance, had been incensed to find a consignment of weapons bound for Nouakchott still sitting on a Marseilles wharf four months later. Funds sent to pay for them had simply been channeled into current expenditure. Indeed it was subsequent Saudi refusal to release funds which dealt the coup de grace to the old regime.

Reassured by the change, however, the Saudis promised \$100mn to the Government of Ould Salek almost immediately. Some \$30mn was destined for budgetary support and \$70mn as a long-term development loan. Morocco also gave \$15mn as a gift for the budget, forming the first slice of a promised \$60mn.

Libya (allegedly vying with Saudi Arabia) provided \$10mn

and launched a number of co-operation projects and Kuwait provided \$15mn as a loan at 3.6% interest. The IMF and France have also allocated funds, amounting to \$4mn and \$2.2mn respectively.

These donors were reassured by the political stability which followed the coup, and the influx of aid staved off immediate economic problems. Since then, however, there has been a noticeable political shift towards Libya and Algeria, combined with increasingly overt tension between blacks and Berbers, and it is not known, under the circumstances, whether Morocco will release the remainder of its promised funds.

One factor causing major donors to monitor aid to Mauritania very closely is that even though the sums involved are not great, they nevertheless represent a very high per caput investment, as Mauritania's population numbers only 1.5mn. Another problem is that,

apart from iron-ore and under-exploited fisheries, Mauritania has few natural resources, especially since its livestock herds have still not recovered from the drought. This factor holds down economic growth to a slow 1.5% a year, lagging behind a population growth rate of 2.2% (with a 50% infant mortality).

It is hoped, nevertheless, that the private sector may take off later this year and force the growth rate up. Mauritania has also made strenuous efforts since the coup to reschedule foreign debts of some \$750mn. The World Bank's report for 1978 put the country's debt-servicing ratio for 1976 at 37% of exports of goods and services - the highest ratio in the bank's list.

This state of affairs was caused in part by a 37% increase in budget expenditure between 1975 and 1976 and an increase of 27% between 1976-1977, putting a heavy strain on the balance of payments. Last year the balance-of-payments deficit

widened even further with imports expected to reach \$388.2mn, costing about twice as much as exports, projected at \$180.2mn. It is hoped now that the heavy toll of defence spending (accounting for roughly 60% of Mauritania's meagre budget) can at last be reduced, although this cannot happen on a significant scale until the de facto ceasefire observed by the Polisario is translated into a long-term agreement.

Precisely because of the paucity of natural resources, great stress is placed on continuing iron-ore production as the back-bone of the economy. The biggest scheme the country has ever undertaken, the Guelb project, is designed to prolong production until well into the next century by opening new mines when the deposits near Zouerate are exhausted. Unfortunately, this scheme, although vital for Mauritania's future, has had setbacks.

Under Mohktar Ould Daddah, the Societe Nationale

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Industrielle et Miniere (SNIM) was changed from a state company to a mixed venture, largely at the request of Arab states who were to contribute money to the scheme. This process has continued under Ould Salek, and four Arab donors have now given firm promises to subscribe to the \$900mn project.

But a first upset came with the resignation on 3 January of Ismail Ould Amar, SNIM's Secretary General, on the mysterious grounds that he could "no longer fulfill his job." His post has been taken by Ely Ould Allaf.

Another setback was the refusal by both Kuwait and the Arab Mining Company to accept Mauritania's evaluation of SNIM's assets as \$360mn. At the end of January they finally settled on \$290mn. Since then, Kuwait, the Arab Investment Company, Morocco and the Islamic Development Bank have agreed to subscribe a total of \$98mn for the capital of the new SNIM. Libya and Iraq are also expected to take part but details are not yet known.

This is only half the battle, however. Economic experts agree that this project is vital for Mauritania, but they warn that it will not break even unless efficiently administered. They stress that the capital cost is huge and that burgeoning administration in Nouakchott threatens to eat up profits, which are already declining because of the unfavourable world situation.

Hopes for the long term are pinned on fishing, which is potentially an even bigger earner than iron-ore and contributed \$14mn last year.

The British White Fish Authority recently estimated that 3mn tons of fish is caught in Mauritanian waters every year, at least 2mn of which is caught illegally. They warn that immense difficulties are involved in making this sector profitable for the country at large. Mauritanians are also anxious to improve agricultural output, held up by delayed irrigation schemes. But agricultural self-sufficiency will take at least 20 years to attain, even without a recurrence of drought.

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NORTH AFRICAN AFFAIRS

MOROCCO, MAURITANIA ATTEMPTING TO PROTECT FISHING AREAS

London THE MIDDLE EAST in English Apr 79 p 106

[Text]

Hardly a week goes by without some incident between patrol boats from Morocco and Mauritania and foreign fishing vessels working the rich Atlantic coastal waters, which run from Tangiers in the north to beyond Nouadhibou in the south.

Most recently, a series of attacks by Polisario guerrillas against South African and Spanish vessels, which the liberation movement alleges are fishing illegally in the Western Sahara's territorial waters, has led to a significant reduction of fishing activities along this stretch of the seaboard.

This 3,000km-long coastal zone contains some of the world's richest fishing grounds, with Western Saharan waters alone possessing an estimated 2bn. tonnes of fish. The annual catch in this area is conservatively estimated at upwards of 2mn. tonnes.

With the growing world need for protein, these fishing grounds have attracted a veritable armada from the

Spanish and Greek sardines. Tinned sardines represent about 80% of Moroccan fish exports and more than half of these are absorbed by the European Soviet Union, South Africa, Japan, Spain and Portugal. Boats from these countries work with ultra-modern refrigerated fish-processing and canning ships. Both the governments concerned and Polisario have made repeated protests, but most of the owners of these floating factories tend to ignore them.

Over recent years both Morocco and Mauritania have been attempting to develop their own fishing and canning industries, but their boats are small and out of date and cannot compete with the better-equipped vessels from the developed states.

At the same time, Morocco has been especially hard hit by a European Economic Community decision giving preference to Portuguese,

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market. Morocco's over-specialisation in this domain is a serious weakness.

Moroccan fishermen have been complaining that over-fishing by foreign boats has tended to reduce their catch, a serious matter since the local canning industry depends on a steady supply of fish. Studies are under way to see whether modern fishing boats can be chartered, and expansion of onshore refrigeration facilities is also being considered.

The state-owned Office National des Peches is going ahead with a scheme to modernise the Moroccan fleet. If budgetary restrictions do not affect its programme, 12 sardine and nine tuna boats as well as 18 trawlers worth \$45mn. are to be bought in the next two years.

The Moroccan Minister of Industry & Commerce, Abdel-Kamel Reghaye, signed a fishing co-operation agreement with the Soviet Union last year. In exchange for Soviet aid in training Moroccan crews, financing feasibility studies for canning facilities and the possibility of forming joint ven-

tures, Soviet ships were granted special fishing rights in Moroccan waters.

This agreement, however, touched off a minor diplomatic incident because Algeria and the Polisario thought that King Hassan was using it to achieve de facto recognition from Moscow of Moroccan control over the Western Sahara. Polisario Secretary-General Mohammad Abdel-Aziz later told *The Middle East* that his movement had received assurances from the Soviet leadership that the agreement covered only Moroccan waters and did not involve the disputed Saharan zone.

Mauritania's Minister of Finance & Commerce, Sidi Mohammed Ould Bnejara, has also stressed that his country is to put a great emphasis on the fishing industry in its economic recovery plan (see *previous article*). To reach this goal Nouakchott has decided to form joint ventures with both Arab and European states. So far such ventures have started with Libya and Iraq, and an agreement with Egypt should be

signed soon.

Previously Mauritania had established a system of licence agreements with the principal fishing nations, but this arrangement proved unsatisfactory as foreign vessels failed to supply the Nouadhibou-based canning industry with an assured flow of fish.

In 1978, for example, only 60,000 tonnes of fish came ashore out of a total catch estimated at between 800,000 and 1mn tonnes. What is more, the Mauritanian Government received a mere \$12mn in royalties and fees from fishing companies for a catch valued at around \$1bn.

Putting the new fishing programme into action, the Mauritanian Minister of Fishing & Marine Economy, Ahmad Ould Bouceif, negotiated the basic principles of a three-year draft agreement on fishing co-operation with the EEC. Under this scheme, which should come into effect in 1980, the EEC countries will take part in joint ventures and provide technical skills. In the meantime they will be granted special rights. □

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AFGHANISTAN

'ASAHI' INTERVIEWS AFGHAN OFFICIALS ON CURRENT POLITICAL CLIMATE

Tokyo ASAHI SHIMBUN in Japanese 20 May 79 morning edition p 7 OW

[Article by ASAHI SHIMBUN correspondent Ninakawa]

[Text] New Delhi, 19 May--One year after the Taraki regime came into power, Afghanistan still has many things wrapped up in mystery, especially its future direction and actual developments in the country since the revolution, partly because of the secretism that is unique to socialist nations. This correspondent recently visited the country to talk to leaders of the Popular Democratic Party about their views.

Was the political change last year a revolution or a coup d'etat? President Taraki has already defined it as "a revolution from above using military force." He has used classic Marxist terms such as superstructure and substructure, saying that he planted party members among the military ranks to work for the revolution, unable to await changes within the substructure. The central figure in this operation was Prime Minister Amin.

When I met with Minister of Information Katawazi, he casually said: "My assignment as a party member was to maneuver within the military. A team of four men headed by Amin, now prime minister, was exclusively assigned to that task; I was one of them."

Katawazi is 29 years old. He became a party member when he was 14, inspired by a "progressive novel" authored by President Taraki.

The revolution from above has continued even after the revolution. President Taraki and the prime minister like to make speeches on every available occasion, and the substance of these speeches is apparently designed to educate party members and people in their ways. It seems that socialist ideologies have not yet fully infiltrated the party ranks. It is said that teachers and students of Kabul University form the main force of the party.

Information Minister Katawazi declared that "soldiers are children of the people and, as such, will never act against the revolution. There is no neutral person within the military either."

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Last summer, (Kadil), the minister of national defense and one of the heroes in the revolution, was arrested together with other leaders and military men of his faction for allegedly planning a coup d'etat.

Some Western diplomatic sources and journalists once claimed that (Kadil) and his colleagues had been executed; however, what actually happened to them still remains a mystery. In this connection, a leading member of the party said that "All of them are alive and in jail. They will eventually be referred to an open trial."

Is the fear of personal cult not involved in the revolution from above? Portraits of President Taraki are seen everywhere in the country, and in this connection, a party member said: "Mosques, according to custom, publicly show who their state leader is. We hang President Taraki's portrait here and there although it is against our will to do so. By doing so, we are trying to attract the masses who still live feudalistically."

Concerning foreign policy, all party officials concerned clearly stated that "Afghanistan attaches importance to its relations with the USSR." Geological Scholar and Planning Minister Alemyar said: "Despite its own difficulties, the Soviet Union is increasing its grants. Soviet workers who come here under technical cooperation programs are working hard for us in spite of low salaries." Not only Alemyar but also other party members I met showed their displeasure with Pakistan, Iran and China.

Party members and sympathizers are excited over the warm messages sent from socialist nations such as the Soviet Union and East European countries. Even neutral persons in Afghanistan rejoice over the fact that their country has become a focus of global attention even if it involves only socialist nations, and that many friendly delegations are visiting it. By comparison, the Western nations were too cold, said even those considered to hold anti-government stands.

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IRAN

CONFLICTS BETWEEN MODERATES AND FUNDAMENTALISTS REPORTED

Brussels SPECIAL in French 19 Apr 79 p 28

[Article by Bernard Ullmann: "Iran: the Black Terror"]

[Text] The Iranian terror has found its second wind. Hardly had the body of Amir Abbas Hoveyda been laid out on its slab at the morgue in Tehran than the crackling fire of the sub-machine guns began once again at Ghasr Prison and just about everywhere in the provinces. The latest corpse-laden tumbrils are like a WHO'S WHO of the former Government. The list includes in particular two former SAVAK directors, General Nasser Moghaddam and General Hassan Pakravan. The latter, who was also minister of information and ambassador to Paris from 1969 to 1973, had the reputation of being the only "humane" leader ever placed at the head of the fearsome political police, which no doubt explains why the Shah relieved him of his functions in 1961. Another choice victim of the firing squad was Abbas Ali Khalatbari, the minister of foreign affairs from 1971 to 1978.

But no one can claim that the pure, hard justice of the Ayatollah is attacking only the great of this world. It has even numbered among its victims a simple soldier of the imperial guard, who had certainly never dreamed that his name would be associated with those of so many prominent persons.

Annoyed by the protests aroused abroad by these summary executions, the Revolutionary Tribunal has, in self-justification, rediscovered the sentiments of Andre Vishinsky, the terrible prosecutor at the great trials of the thirties in Moscow. "What is the most important accomplishment for our nation," asks the Tribunal in one of its communiques, "satisfying the Western press or annihilating all the counter-revolutionaries?" As for the Ayatollah, he is of the opinion that there is not even a need to hold trials. "These people," he declares, "should have been executed the very first day. Without a trial. I am sorely distressed to see that Westernism is still rampant

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among us." What would he have said if in order to get rid of Hoveyda, two separate trials had been necessary, extending over a two-year period, as was the case with Ali Bhutto, who has been hanged by a Government as thoroughly Islamic as his own.

In the absence of the Shah, presently sunning himself in Bermuda, Hoveyda is quite possibly the most noteworthy victim to fall under the Iranian reign of terror, a terror which fits into the precise political context: that of the current struggle for power between the fundamentalists of Khomeiny and the "moderates" of the stamp of Bazargan.

This opposition was confirmed last weekend in the shape of the resignation of Minister of Foreign Affairs Karim Sandjabi, president of the sole Iranian democratic party. Prime Minister Bazargan, who had refused the resignation of Sandjabi once before, had to give in this time.

But opposition to the Khomeiny committees is also manifesting itself in certain Moslem circles. Thus it was that two sons of the Ayatollah Taleghani, the spiritual leader of Tehran, were held under arrest for several hours by "Khomeinist" troops. Taleghani himself, often called the "Red Ayatollah," fled the capital. Did he believe that his life was being threatened? Did he wish to demonstrate his disagreement with Khomeiny publicly by "symbolically dying"? Did he go into hiding? At the beginning of the week, the most varied array of hypotheses on this subject were circulating, with no possibility of verifying any of them.

The fact that the Tehran press has published the gist of the "Islamic Code" project has brought to light the importance of what is at stake. This new wording of a text already under discussion for some time has led the minister of justice, Dr Assadollah Mobarsheri, a jurist of the old school, to the point of resigning. For the Code tries to assure the permanence of the revolutionary tribunals, whose exercise of authority had been originally limited to six months; or to give them an extended authorization of at least another year. This time, however, Bazargan did not threaten to leave his post, as he had done before on 16 March after the first appearance of Hoveyda before his judges. Better still, he refused to accept the departure of his minister of justice, pleading the need for "Government solidarity."

But the punishment of the "traitors" is certainly not the only domain in which the voluntarism of the real power of Iran, namely, the anonymous members of the Revolutionary Council, is clearly manifesting itself.

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Faced with the rise in prices and with an inevitable inflation after months of strikes and riots, the Ayatollah is threatening to inflict the "whip of Islam" on the merchants of the Bazaar, who had numbered among his staunchest supporters. For the first time, 4,000 jobless merchants are manifesting in the streets of Tehran. Therefore the authorities have committed themselves to finding jobs for everyone before the end of the year. But no one knows whether the number of jobless persons is now three or four million. Khomeiny still promises to provide decent housing for all the poverty-stricken of the country, who have, to further complicate matters, not been tallied in any recent census. All objectives which would demand a decisive new impetus to the economic machinery of the nation, including the resumption of petroleum exportation at the pre-revolutionary level. In its attempt to be at one and the same time antimarxist and anticapitalist, in its vehement rejection of any foreign contracts, and in its deliberate increase of the number of summary executions, the "Black Revolution," which is trying to rebuild the nation out of the ashes of the "White Revolution" of the Shah, has certainly not chosen the easy road.

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IRAN

**TALEQANI INFLUENCE SEEN RISING IN DISINTEGRATING REVOLUTION**

Brussels SPECIAL in French 26 Apr 79 pp 25, 26

[Article by Alain Bradfer and Francis Monheim]

[Text] Revolutions never are born by chance. They are born from necessity.

The necessity for a people to escape from tyranny; that of finding their own identity again.

The necessity for each individual -- woman or man -- to be himself and to live in freedom.

That is true of the Iranian Revolution as well as of others. Perhaps even more than of others.

Never in history has a revolution been so radical and has been carried out in so little time. Never has it appeared so fragile either -- even if irreversible -- menaced not from outside but from the diversity and the contradiction of the forces that make it up.

Three months after the departure of Mohammed Reza Shah and the triumphal return of the ayatollah Khomeyni, the people in charge of the new regime are facing the rebellion both of the progressive intellectuals, the unemployed, the students, the emergence of the bazaar, certain ministers of the government, the old political class, the partisans of the ayatollah Taleqani -- spiritual leader of Tehran -- the fedayeen (Marxist-Leninist militia) and of the moudjahideen (progressive Islamic militia); and then, on the borders of what was the shah's empire, of the Kurds in the west and of the Turkomans in the east.

In short, the Iran arrayed against Khomeyni follows the Iran arrayed against the shah.

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No More Money

In the Tehran bazaar, that labyrinth of stalls which was the crucible of the Islamic revolution, it has been the traffickers who have since had command of the street. They offer in change counterfeit bills bearing the effigy of Khomeini; they sell prohibited alcohol and at a very high price the cigarettes which cannot be found elsewhere.

And while these traffickers are getting rich, millions of Iranians quietly founder in misery. There would be between 5 and 6 million unemployed out of a population of 30 million inhabitants. Hundreds of thousands of them have lost their jobs because the great projects conceived in the time of the shah have been stopped: whether it is a question of the nuclear plants ordered from FRAMATOME [Franco-American Atomic Construction Company] in France or from KWU [expansion unknown] in Germany, of the Tehran subway, or of the construction of great trunk roads.

The money? "The coffers have been pillaged by the rioters and the uneasy clients have refused from then on to deposit their funds," a Tehran banker explains. He estimates the funds that the popular revolution has caused to disappear from the coffers at 50 percent. Without forgetting the funds which left Iran at the same time as the shah and the more fortunate people of his entourage.

More unlucky closures at the moment of the great demonstrations in December and January, the larger part of the enterprises have not been able to reopen their doors precisely for lack of money, lack of raw materials and lack of parts for installation or for repair (this is specifically the case of the entire automotive industry).

Demonstrations by the unemployed have followed the demonstrations of the women who protested against the retrograde status that the Khomeyni committees wanted to impose on them. In certain cities, such as Isfahan, those demonstrations have resulted in hundreds of deaths, the ayatollah having ordered the Army to open fire on the crowd. Pretext: the unemployed were led by communists or by leftists who are -- according to the ayatollah -- "sons of Satan"....

More than one million unemployed are occupying the Ministry of Labor at Tehran; they also are accused of "counter-revolutionary intrigues"; that means that they can expect -- from one day to the next -- the worst of repressions....

Who profits from the arrest of a few of the most dynamic sectors in the economic life? The Iranian right and the Khomeyni committees are in agreement in accusing the communist Tudeh Party of wanting to profit from the destabilization of the new regime to deal an underhanded blow against it. These accusations are even more insistent because the Tudeh, animated by a Marxism with Stalinist hues, is without any doubt the best structured political organization in the country.

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Others accuse the right and more particularly the agents of SAVAK -- the shah's political police -- who have succeeded in passing through the meshes of the net woven by the revolutionaries. Because in Tehran today, from the liberal bourgeoisie to the Islamic progressives, no one denies it: if SAVAK has lowered its head, if its most visible leaders have been shot, it does not consider itself defeated for that reason.

Disorganization of Power

What creates chaos in Iran is the laxity and at the same time the excesses of Khomeyni. The ayatollah is incapable of defining a concrete project in the name of politics and economics (the very notion of "Islamic Republic" is too vague); furthermore, it is incapable of controlling its own troops. This is why the committees acting in his name are committing the worst exactions -- similar to those of SAVAK precisely -- and attack the government and the intellectuals, as well as the fedayeen or the moudjahideen (Marxist or Islamic militia which are organized and disciplined).

Khomeyni's laxity is demonstrated by the disorganization of the power which he set up. At its head: the Revolutionary Council, a collection of some 15 members whose composition is kept secret "for reasons of security." It is known only that Khomeyni presides over that council when he wishes and that it specifically includes Hassan Banissader, Khomeyni's right-hand man, Ibrahim Yadzi, the vice minister in charge of revolutionary affairs in the government and Savek Ghotbzader, who makes an unprecedented fanaticism rule over radio and television. It is the Revolutionary Council which claims to rule the country. It is the Council which receives the projects of the government, adopts some of them, and submits the most important to Khomeyni.

As for the government, it has only to apply the sovereign decisions of the Council.

This government is presided over by Mehdi Bazargan who was, let us recall, president of the League for the Defense of Human Rights in the time of the shah.

Bazargan, however, probably arranged the escape of Shapur Bakhtiar, who had agreed to form a transition government several hours before the flight of the shah. For the members of the Revolutionary Council, that constitutes without any doubt a supplementary reason for launching an attack on top of attack against the current prime minister to make him pay the penalty.

Does Bazargan protest against the expedited trials and the summary executions? The Council pretends to declare that he is right and orders the arrest of anyone it chooses. However, it immediately draws up an "Islamic penal code" which permits trying and executing even more rapidly. And, in order to show very clearly that it is all-powerful, it orders the execution of Amir Abbas Hoveyda, the former prime minister, "the shah's secretary and friend of the

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West." This time Bazargan does nothing: what is even worse, he declares that he does not disapprove.

Another example: when last March the Kurds demanded the autonomy of their region, Bazargan went to visit them and proclaimed that their aspirations were compatible with revolutionary logic. However, hardly had the prime minister returned to Tehran when the Council ordered the repression of the Kurds: elements of the Army and the Khomeyni militia caused hundreds of deaths there. Bazargan, once again, did not disapprove.

Even more, Karim Sandjabi, his minister of foreign affairs, resigned. Now Sandjabi was a disciple of Mossadegh and the charismatic leader of the National Front. To a certain degree he was a progressive brake on the government.

However, in Iran things are going so fast that the resignation of Sandjabi comes without any doubt a little too late for the additional reason that Darius Forhouar, the number two man of the Front, expresses surprise publicly.

There is nothing that the politicised and intellectual class can do now except turn toward a new party -- the National Democratic Front -- started by Matine Dastari, one of the most influential lawyers in Tehran. Dastari is a friend of Bakhtiar's, and it is murmured in the well-informed circles of the capital that he could some day try to bring the latter back to the country and back into affairs....

The Red Ayatollah

At the same time, the threat which weighs the heaviest over the Khomeyni regime does not come from the lay intellectuals but from the religious progressives grouped around the spiritual leader of Tehran, the ayatollah Taleqani.

Taleqani has always been an enemy of the shah, but differently from Khomeyni, he never left Iran. This earned him more than ten years of prison and savage tortures from the SAVAK.

This great resister, freed last fall, would however prepare the triumphal return of Khomeyni. Taleqani was a progressive, however, and the man who was called "the red ayatollah" in the West would rapidly rebel against the brutal dictatorship of the Khomeini committees. Taleqani and his moudjahideen would take the part of the women, the students, the unemployed, the Kurds. He reminds his hearers that the Islamic religion demands mercy for the vanquished. He demands just trials even for his former torturers.

When his daughter-in-law and his two sons were arrested by the Khomeyni militia, about 10 days ago, the population of Tehran rose in anger. This time it no longer chanted "let us be happy, Khomeyni is returning" but "Taleqani, you

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are the hope of the people." The situation became so explosive that Taleqani decided to go to Qom in order to meet with the ayatollah Khomeini there.

The latter had been warned of the dangers which were in his path; he therefore accepted the submission of his "committees" to certain controls and agreed to impose a certain discipline on them. Thus they will no longer have any blank arrest warrants and they may no longer directly exercise Islamic "justice". . . .

For the immediate future, Khomeyni has therefore found a means to get himself out of an embarrassing situation. However, the arrest of the Taleqanis followed by the brief disappearance of the ayatollah (who was in fact on the road to Qom) permitted millions of Iranians to demonstrate in favor of the "red ayatollah." The ayatollah knows his prestige is intact while Khomeini's is ceaselessly melting away.

Some day history could well retain the name of Taleqani before that of Khomeini. This is all the more true since the lay progressives are disposed to accept his arbitration, if not his authority.

The Iranian Revolution is only beginning.

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IRAN

BRIEFS

KHOMAYNI QUESTIONS LEBANESE SHI'ITE--Imam Musa al-Sadr, spiritual leader of the Lebanese Shi'ites, who disappeared following a visit to Tripoli (Libya) 8 months ago, was one of the main organizers of the Iranian Islamic revolutionary movement. This is why the Shah's successors are now calling Colonel al-Qadhafi's regime to account. "We demand that this mystery be cleared up," Ayatollah Khomeyni stated on 26 March, while thousands of demonstrators marched past the hotel where Major Jallud, Libya's No. 2, was staying during a visit to Tehran. [Text] [Paris JEUNE AFRIQUE in French 9 May 79 p 26 LD]

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IRAQ

'AL-WATAN AL-'ARABI' REPORTS OFFICIALS VISIT TO FRANCE, PRESS CONFERENCE

Paris AL-WATAN AL-'ARABI in Arabic 11-17 May 79 pp 22, 23 LD

[Unsigned article: "Iraqi Interest in French Arms and in Nuclear Reactors Sabotage Incident"]

[Excerpts] The Iraqi week in Paris was eventful. Iraqi Defense Minister 'Adnan Khayrallah held important talks with French Premier Raymond Barre and Defense Minister Yvon Bourges. Meanwhile Iraqi Information Minister Qasim Hammudi explained the Iraqi stand and the Arab issues to the French press and media. The French sources said that Iraq was interested in following up the outcome of investigation into the sabotaging of the two Iraqi nuclear reactors that were being assembled in a French plant and developments in modern French weaponry.

It is no secret that the Iraqi-French relations in recent years have made great progress on various levels and in many fields.

Despite the fact that the strong relations between Iraq and France were briefly clouded, the deep understanding on both sides soon dispersed the clouds, since the relations between the two countries are based on firm principles and on growing common interests.

The sabotaging of the two nuclear reactors, which were being assembled at a French nuclear equipment plant on the Mediterranean coast, was probably aimed at sabotaging these growing relations.

Iraqi Defense Minister 'Adnan Khayrallah's visit to Paris last week at the head of an official delegation and the talks he held with senior French officials, foremost of whom were Premier Barre and Defense Minister Bourges, have confirmed that the two countries are always capable of thwarting all the plots against the relationship binding them.

On the occasion of this visit well-informed French sources said that Iraq is showing considerable interest in French production of sophisticated weapons, particularly the Mirage F-10 and Mirage 2000 planes within the framework of strengthening and boosting its defense and military capabilities.

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Iraq is also showing similar interest in providing its navy with armed vessels and coastal defense weapons. Iraq is also hoping to provide its land army with tanks and various weapons.

The French sources said that last year France supplied Iraq with 40 Allouette III helicopters armed with 20 mm canons, 10 heavy super Frelon helicopters as well as MX30 tanks, 120 Panhard armored vehicles, a large quantity of antitank missiles.

The course said that negotiations are currently underway on an arms deal whose value is estimated at 10 billion French francs.

The Iraqi military delegation's visit occurred alongside a civilian visit. Iraqi Information Minister Qasim Hammudi stopped in the French capital en route from Togo to Baghdad after having attended the third session of the Council of Governmental Coordination of Information Affairs of the Nonaligned States.

On the occasion of the inauguration of the Iraqi Cultural Center in Paris Minister Hammudi held a press conference in which he discussed various issues of interest to the Arab world.

Hammudi expressed Iraq's constant readiness to contribute to any effort aimed at solving the Lebanese problem. He reiterated Iraq's belief in the integrity of the Lebanese people and territories and its rejection of any partitioning or internationalization of any part of that Arab country and readiness to coordinate with Arab brothers in order to eliminate the vestiges of the civil war.

He explained that the new positive situation represented in the Iraqi-Syrian joint action charter will enable Iraq to exert a better effort and to have a greater influence toward solving the Lebanese problem. He said that solving the problem so as to guarantee Lebanese unity and sovereignty, to enable Lebanon to meet its Arab commitments, and to facilitate the Palestinian resistance's struggle against the usurping enemy would further strengthen the Arab effort.

Speaking about the Iraqi and Syrian steps toward unity between them, the information minister said that the commands in both countries are now studying a plan for constitutional unity and another plan for the unity of the [Ba'th] party. Continuous contacts are taking place in order to reach a common view on unity. The next meeting of the joint higher political command will discuss and study the progress that has been made to achieve this unity.

The information minister also spoke about the links between the al-Sadat and Numayri regimes. He said that this rapprochement between the two regimes is the result of the betrayal committed through the peace treaty which the Sudanese regime has supported. Numayri refused to take part in the Baghdad summit and in the Arab foreign and economic affairs ministerial conference

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or to boycott al-Sadat's regime. Therefore, he added, the sanctions adopted against al-Sadat must also be applied against Numayri and any regime that refuses to be committed to the Baghdad summit resolutions and the foreign and economic affairs ministerial conference resolutions.

Speaking about the situation in the Arab Gulf region, he said that the recent U.S. threat of military intervention or any other form of terrorist intervention will be met by a unified stand. The adventurists who imagine that intervention in this area would be a kind of picnic will burn their fingers, he said.

Referring to Iraqi-Iranian relations, the minister said that Iraq has adopted an attitude of noninterference in the internal affairs of the neighboring countries and shown respect for the Iranian people's decisions regarding their fate and future. He said that the downfall of the shah was in the interest not only of the Iranian people alone but also of the Arab nation.

He said that Iraq welcomes the standpoints of the new Iranian Government toward the Palestinian problem and its desire to join the nonaligned movement and to give up the role of gendarme in the Gulf.

Speaking about the sabotaging of the two nuclear reactors destined for Iraq, he said that investigation into this matter is continuing. We have confidence in the current French measures in this regard. He added: We are anxious to see that French commitments to Iraq in this field will be fulfilled within the scheduled program. Those who have perpetrated this act aimed at harming not only Iraq but also France.

Minister Hammudi then spoke about the Iraqi progressive national and nationalist front and the communists' attitude toward it. He said that the front still exists because it stems from the belief of the Socialist Arab Ba'th Party and of the other nationalist forces in the need for alliance in shouldering the tasks of socialist building and other national responsibilities.

He added: What actually happened was that the Communist Party violated the rules provided of the front when it tried to set up an organization within the armed forces contrary to the laws and to the rules of the front itself. He said that the decision prohibiting political activities within the armed forces applies to all political forces with the exception of the Ba'th Party. However, political action is permissible in civilian society where there is ideological and organizational freedom.

He said that contacts had taken place between the leaderships of the two parties with the aim of settling problems on a clear basis and on the basis of commitment to the front's charter.



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He added: We have rejected any attempt to use the front as a stepping stone to power, because the 1968 revolution was a revolution for all the Iraqis and all the Arabs. The Socialist Arab Ba'th Party which led the revolution aims at implementing its ideological and political program and will not allow anybody to conspire against the revolution or try to strike at the revolution in any way.

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IRAQ

KURDS FIGHT INTERNAL DISSENTION, EXTERNAL ENEMIES

London THE MIDDLE EAST in English May 79 pp 47, 50-51

[Text]

**N**o government in Iran from a military dictatorship to a multi-party democracy has ever been willing to grant the Kurds a minimum of autonomy or decentralisation. Once the present government is strong, there will be another series of unfulfilled promises and compromises leading to more confrontation," a well-informed Kurdish source told *The Middle East*, after he had attended the funeral of Mulla Mustafa Barzani at Shino just inside Iran's border with Iraq.

The Iranian Kurds are demanding autonomy, and their demands are receiving attention at present because the Ayatollah Khomeini and his government do not have the tight control over the country which the Shah enjoyed, he explained. But the Government will become increasingly deaf to the Kurds as its grip on the situation becomes firmer. And the Kurds have neither the leadership nor the experience to take real advantage of the present state of affairs.

Various spokesmen for the Kurds of Iran have emerged in the course of the disturbances, but there is no united leadership or well formed policy. There is the religious leader Shaikh Izzeddin Hussaini who

seems to have the widest following of all at present, and the Iranian Kurdish Democratic Party (KDP) of Abder-Rahman Ghassemloo. The Iraqi Patriotic Union of Kurdistan (PUK) of Jalal Talabani has also been active in Iran as well as a number of small left-wing groups.

Ghassemloo was described by one Kurd as "an intellectual but not a leader". His policies have changed so many times over the years that he has lost the confidence of many Kurds. While in exile during the Shah's regime, he was a member of the Czech Communist Party, first taking a pro-Moscow line and then supporting Dubcek. He subsequently went to Western Europe and then lived in Baghdad in the early 1970s until the Kurdish revolt of 1974 when he went to Paris.

Jalal Talabani's credibility with the Kurds is even lower because of a history of shifting allegiances. At different times he has allied himself with the Iraqi KDP under Barzani's leadership, with the Baghdad Government and with Syria. At present, in alliance with several small leftist Iraqi groups he is most active in Iran working closely with Ghassemloo. His remaining efforts are directed against the Iraqi KDP Provisional Leadership and many Iraqi Kurds believe that he is indirectly co-operating with Baghdad again.

Recently, for instance, he has called for an end to the guerrilla war against the Iraqi regime to leave it free to concentrate on the battle with Israel. He is also thought to have encouraged Ghassemloo in Iran to press for

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the expulsion of the Iraqi Kurdish refugees there on the grounds that they co-operated with the Shah.

The KDP Provisional leadership in Iraq is equally bankrupt in the eyes of many Iraqi Kurds. For, after Barzani left, it began making exaggerated claims about its exploits in battles with the Iraqi Army and became preoccupied with the internecine war against Talabani and the PUK. Many former KDP members in exile in Europe just withdrew from any activities in disgust and support inside Iraq also dwindled.

Only in Turkey do the Kurds have a young dynamic and relatively well organized leadership - much of it underground, according to informed sources. It is hardly surprising therefore that no united, concerted Kurdish struggle has proved possible at the present time.

The Kurds are a tribal people and have long been obliged to live under different regimes which in turn neglected them and actively repressed them. They number perhaps 20 million (see table p 52), and although most of them live inside "Kurdistan" they have been unable to co-ordinate their struggles, mainly because of their lack of a single leadership. For 50 years Mulla Mustafa Barzani was the only unifying factor and his death has left a gap which cannot be easily filled.

On the positive side, however, his death has shocked many Kurds into taking a hard self-critical look at themselves. The process began over a year ago in fact, when the disillusionment which followed the failure of the revolt in Iraq began to fade.

A committee (Kurdistan Action Committee - KAC) was formed secretly in Europe among Kurdish exiles to discuss the situation and it has now published a preliminary list of its objectives, although the committee membership has not been made public.

It will work initially among the exiles but has already sent people to all parts of Kurdistan to restart operations there. The purpose of concentrating outside is to try to forge some unity among Kurds from different countries, a KAC spokesman told *The Middle East*.

It would be more difficult to begin this inside Kurdistan where the existing groups

are blinkered by their narrow and limited interests, he explained. Even so KAC feels the time is now ripe to come into the open because there is a growing feeling, particularly among the young, that the only hope lies in a united effort by Kurds.

"We were wrong to ever advocate autonomy for it means that we must take what the regimes offer us," a KAC member said. "We should have struggled for full independence from the beginning. Our only hope of success and of unifying all the Kurds depends on this."

In the 1920s and 1930s the desire for independence was strong, he explained, but several decades of dealing with individual states and making disastrous alliances has altered this mentality. "We have become prisoners of our own worn-out thinking."

He believed that the Kurds had at last learned the lessons of recent history. They had supported Qassem in Iraq in 1958, they had accepted the republic offered to them by Iran under Soviet pressure in 1945, they had supported Kemal Ataturk in 1908, and in every case they had been let down. Then there was the episode with the Shah and the US more recently. "We should not depend on anyone. Alliances are no good unless they are reciprocal. We must rely only on ourselves in future."

KAC is convinced that all the Kurds' problems - their fragmented narrow-minded leadership, their facility for striking up disastrous alliances - can all be put down to the lack of a simple over-riding objective. They may not be able to achieve independence but it is vital that they should struggle for it and not compromise. This should not be subordinated to any specific ideology or group interest.

The success of the Palestinian resistance movement, for example, can be put down in part to the fact that all the various groups agree on the fundamental aim of liberation of Palestine, another KAC member said. The Kurds, however, have a decided advantage over the Palestinians - they still have their land - so their struggle should be easier, yet they have failed dismally.

The KAC members refuse to consider themselves as just another Kurdish group and will not be drawn into any inter-Kurdish disputes. Their aim is to unite the

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Kurdish community behind simple nationalist principles and then, they feel, a new united leadership will emerge. "There is nothing to be hoped for from the old school of leaders," a spokesman said.

It will undoubtedly be a hard fight, for neither Iran, nor Iraq, nor Turkey, nor Syria will let their Kurdish areas go without a struggle. There is oil in the Iraqi area and oil and minerals in the Turkish area. Iran for its part could not relinquish its Kurdish provinces without risking the secession of its other national minorities.

"We must reorganise ourselves, take stock of our potentials - our manpower and our territory. At present we do not even have a standard, agreed map of Kurdistan. But most important we must agree on our aims," a KAC official stressed. "The Kurds will no longer die for autonomy but only for independence."

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IRAQ

## BA'THISTS CUT CPI DOWN TO SIZE

London THE MIDDLE EAST in English Apr 79 p 12

[Text]

The Iraqi Communist Party is the biggest and most respected in the Arab world and its reputation has grown in recent years, although communism is still making little headway in the Middle East in general.

This may be one of many reasons why the Baathist Government is taking increasingly severe measures against the party. The Baathist-communist alliance inside the Progressive National Front set up in 1972 was on a shaky foundation from the start. There were years of rivalry and bloody fighting which could not be easily forgotten.

The first indications that the alliance was not working came in May last year when 21 communists were executed for political agitation within the Army, and more executions were reported in December.

In September, according to informed sources, the Baath Party sent a secret memo to the Communist Party affirming its freedom to organise but demanding absolute loyalty to the Baathist revolution.

In February, it was reported that 1,900 communists and sympathisers in Iraq had "disappeared", including some Central Committee members and it was confirmed that the party was no longer a member of the National Front, having withdrawn a year ago.

Iraqi sources told *The Middle East* that a law has been passed, retroactive to 1968, giving the death penalty for a number of essentially political offences. These include joining the Baath Party without declaring previous membership of other organisations; leaving the Baath Party to join another organisation; and trying to persuade

members to leave the Baath Party. And the target of this law is the Communist Party, the sources added.

Recently a book has been published in Baghdad, with Government support, alleging that most of the communist parties in the Middle East had been founded by "Jews from Palestine".

Sources close to the Iraqi communists said that the stage is now set for a full scale "purge" of party members from any positions of responsibility. They have already lost their seats on trade union councils and the press syndicate, the sources added.

Protests at these developments, muted at first, have become more vociferous of late. The USSR, of course, is remaining well in the background, for it learnt the hard way in the 1950s and 1960s that intervention on behalf of local parties did them more harm than good. Nevertheless it is thought to have been trying to mediate behind the scenes, though with little success.

The French Communist Party, however, has published an uncompromising statement condemning Iraq's "bloody repression". A statement published jointly by the 10 Arab communist parties last December, however, was more circumspect. The reference to developments in Iraq was tucked away on one of 15 pages concerning the Middle East situation in general.

Apart from the long-standing hatred between Baathists and communists in Iraq, which is both ideological and historical in origin, there are a number of reasons for the new outbreak of hostility.

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The communists have been very active among the Kurds and Shiites, both a potential cause of instability in Iraq. They have also used the limited freedom accorded to them in the past to publicly criticize Baathist policy, and in particular to point out the inherent contradictions.

Another factor may be Iraq's switch over the past year to more moderate policies with respect to the Middle East, and in particular its move towards Saudi Arabia. Some observers have interpreted Iraq's anti-communist measures as a signal to Riyadh that its heart is in the right place.

Nevertheless, the Iraqi communists still have influence in Iraq, as shown by the fact that the Government felt impelled to produce a long statement repudiating that of the Arab parties and to distribute it world-wide through their embassies.

Some of the criticisms in this statement are valid, like the communists' "reliance on the ready-made dispensations and formulas of analysis". It accused the Iraqi Communist Party of "standing arms folded in the face of many battles fought by the Revolution against its various enemies".

There is no doubt that the cards are stacked against the communists in this latest contest. The Baathists have all the institutions of power at their disposal and the powerful slogan of Arab nationalism at their back. However reprehensible their heavy handedness may be, this time it could be decisive, unless other factors undermine their position in the near future.

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JORDAN

## ECONOMIC DEVELOPMENT FALLS SHORT OF TARGET

London THE MIDDLE EAST in English May 79 pp 85-86

[Article by Rami G. Khouri]

[Text]

Despite the obvious outward appearance of material wealth and economic progress that strikes the visitor to Amman, the underlying reality in Jordan is that the first three years of the 1976-80 economic development plan have generally fallen short of the targets set out in the plan itself and "achievements in economic growth are actually much less than current figures might appear to reflect."

This is the conclusion of a hard-nosed analysis of the country's economic performance during the completed years of the plan which has just been drawn up for the Government by one of Jordan's leading economists, Bassam Saket, Director of the Economics Department of the Royal Scientific Society.

The plan set out four main objectives: to achieve an annual real growth rate in gross domestic product (GDP) averaging 12%; to increase reliance on domestic revenues, which were to grow at an annual average rate of 16.5%; to reduce the trade deficit and to distribute development gains more equitably throughout the

country.

The last of these four targets is a qualitative one, without any credible means of testing its achievement. The most recent income distribution data come from a survey carried out in 1973 and these show a glaring bias towards the Amman region, with the highest recorded rural income levels reaching only 63% of the levels obtaining in the Amman area.

Saket's recommendation on this point is that the next five-year plan should specify the desired share of income for each of the country's five regions.

As for two of the plan's three other targets, the statistics show that performance was generally disappointing. The growth rate in GDP in the first two years of the plan was about 15% instead of the hoped-for 33%. There was brisk growth in 1976 and then a slowdown in 1977. After adjusting for inflation Saket told *The Middle East*, there was an actual decline in gross national product (GNP) of 2% in 1977.

Budget reliance on domestic revenues has grown almost exactly as planned, increasing by an average of 16.3% a year

instead of 10.6%. But, Saket pointed out, "When we investigate the components of domestic revenues we find a rather large increase in indirect taxes, which is mainly due to a big increase in imports and the collection of customs dues."

Income from other sources, primarily phosphate exports, has remained well below projections. And, although the target ratio of current domestic revenues to current expenditure was met in the first two years of the plan, overall the Jordanian budget is heading in the opposite direction - towards an increasing reliance on foreign aid. This aid is needed to cover total spending, which includes not only current but also development and military expenditure.

Whereas domestic revenues covered 55% of total budget spending in 1976, this share dropped to 54% the following year, to 42% in 1978 and to a projected 38% this year. (The 1979 projection reflects the anticipated aid allocated for Jordan at the Arab summit meeting in Baghdad last November.)

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The increased domestic revenues are thus very much a function of increased customs duty on imports and this reveals the other worrying trend in the economy--a widening trade gap.

The plan projected a trade gap of JD208mn in 1977, but that year's trade deficit grew to JD371mn. There are indications that, in the short term, the growth in the trade deficit may be slowing down. Figures compiled by THE MIDDLE EAST show that exports for the first seven months of 1978 grew by 4.3% over the corresponding period of the previous year and imports declined by 5.1% to give a trade deficit of JD249mn, representing a 6% drop from the same months of 1977.

The outlook on trade figures, however, remains bleak. The trade deficit projected for 1980 in the plan stands at JD131mn and this, according to Saket, now seems to be beyond reach.

On the other hand, in fairness to Jordanian economic performance, it must be appreciated that the structure of imports shows a relative growth in capital goods. These are mainly destined for export-oriented development projects that will start to make a big impact on the country's trade in a few years.

This, combined with the fact that the important Jordan Valley irrigation projects are moving ahead, means that the prospect for Jordanian exports after 1980 must be judged healthy. In the interim, however, it is likely that the

large trade gap will persist, with little rise in exports.

Saket recommends, therefore, that an effort must be made to rationalise imports by planning for more import substitution industry as well as encouraging exports to the vast regional market on Jordan's doorstep. At the same time higher duties could be imposed on luxury imports.

He also advises placing extra emphasis on increasing domestic revenues by means of more effective administration of the tax system. This system is notoriously weak when it comes to collecting taxes from the large group of merchants.

The Oxford-educated Dr Saket makes no attempt to hide the fact that growth in GNP during the past few years has been mainly due to factors un-

related to the immediate productive capacity of the Jordanian economy. Remittances from Jordanian workers in the oil-exporting states, for example, have averaged nearly JD200mn a year.

"The GNP growth picture looks quite impressive before it is adjusted for inflation", Saket said, "and even after adjustments it might look satisfactory. But, judged against the targets set out in the plan the performance has been below expectations in terms of growth in GDP and it is GDP which is a better indicator of true achievements."

In these terms, according to Saket's analysis, the first two years of the plan yielded 60% of the growth rate expected.

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KUWAIT

## LONRHO CONTROL BATTLE STUDIED

London THE MIDDLE EAST in English May 79 pp 95-96

[Text]

Arab investors have tended in the past to maintain a low profile in British industry, only announcing their shareholdings when they exceeded 5% of a company's equity.

Apart from the occasional headline-making outright Arab purchase, such as that of the Dorchester hotel, only Gulf Fisheries, headed by Shaikh Nasser al-Sabah, son of the Kuwaiti Foreign Minister, has adopted a public approach to its purchase of British stock. Last month Gulf Fisheries brought its involvement right to the fore by trying to take on the collective might of one of Britain's biggest and arguably most thriving multinational firms, Lonrho. In trying to do so, however, it was heavily defeated.

Having held a 21% shareholding in Lonrho since the mid-1970s, Gulf Fisheries wanted to put its nominees on the 13-man Lonrho board. In order to achieve this, two existing Lonrho directors had to be removed from the board and the Kuwaiti company's candidates, Thomas Ferguson and Ewan MacDonald, voted on by a full ballot of Lonrho shareholders.

The battle that developed between Shaikh Nasser and Lonrho's Chief Executive, "Tiny" Rowland, was widely publicised and no holds were barred. Rowlands accused Gulf of a number of abuses, of its shareholding in Lonrho, while Shaikh Nasser made it clear that his recollection of events (and that of his colleagues) methods adopted by British and Arab investors. Lonrho sources even claimed that a number of ballot papers had been defaced with abusive criticism of the Arabs' role in their company.

The question being asked in the aftermath of the defeat is whether it will now be possible for Arab investors openly to accumulate shares in a British company with a view to taking executive control.

The Lonrho-Gulf liaison began in the early 1970s with the close relationship between Rowland and Shaikh Nasser's right-hand man, Khalil Osman, a former Sudanese veterinary surgeon whose financial acumen had come to the al-Sabah family's attention and whose African connections brought Gulf Fisheries out of its traditional localised investments. Lonrho at

that point was also trying to expand away from its operations in southern Africa.

Osman held out the prospect to Rowland of vast profits in the Middle East and especially differed widely from Rowland's.

In the event, Gulf's attempt to unseat two of Rowland's close associates was resoundingly defeated by Lonrho shareholders and the whole episode left a nasty aftertaste of the differing and perhaps incompatible economic priorities and Sudan, where the fabled triad of Arab capital, Western technology and African resources was put to the test in the vast Kenana Sugar scheme.

Both Lonrho and Gulf Fisheries committed equity capital to Kenana, where their investments were more than matched by Kuwaiti Government Funds, channelled through the Kuwait Foreign Trading, Contracting and Investment Company. The Western business-Arab capital honeymoon was on.

Encouraged by Rowland's style and ambition, Osman and Shaikh Nasser took substantial holdings in Lonrho. Their relationship with Rowland sur-

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vived an early threat when Lonrho directors, headed by Cunard Chairman Sir Basil Smallpeice, tried to vote their Chief Executive off their board in protest against his allegedly autocratic business methods (his dealings with the Sudanese Government over Kenana being a case in point).

But Rowland's new Arab friends stood by him. In May 1974 Shaikh Nasser bought 8mn shares in the conglomerate to add to the 2mn he already held. In February 1975 United Fisheries, owned by the Kuwait Government and closely associated with Gulf Fisheries, bought a further 9mn Lonrho shares.

In December that year the entire Kuwaiti stake was transferred to Gulf Fisheries and Osman joined Shaikh Nasser on the British company board.

For a while the Rowland-Nasser relationship went swimmingly with Lonrho excited about the opportunities opening up for it in the Middle East and Gulf Fisheries enthusiastic about its indirect investments in British industry, particularly Brentford Nylons and Dunford Steel.

But before the end of 1976 the liaison began to cool. Delays in the implementation of the Kenana scheme where Lonrho was the project manager led to acrimony between the Kuwait Government and Rowland. In October 1976 Osman and Shaikh Nasser, finding their loyalties divided, resigned their directorships in Lonrho, os-

tensibly to spend more time on interests nearer home.

Since that time Lonrho's interest in the Middle East has waned. In order not to lose face it fought to maintain its holding and management stake in Kenana and also kept up its share in an Egyptian transport company. But for future growth it turned to activities in Britain, where it sought to take control of Scottish and Universal Investments (SUTTS) and so increase its 19% stake in the House of Fraser, itself partly owned by SUTTS and proprietor of Harrods, the famous Knightsbridge store.

British retailing has always been an attractive proposition for Arab investors and Gulf Fisheries in particular and the Lonrho-SUTTS connection represented a suitable opening.

A possible Lonrho bid for SUTTS had first to be cleared by the Monopolies Commission but that hurdle was cleared in March this year. In fact it was just before the Commission gave the go-ahead for the bid that Gulf made its reappearance on the Lonrho scene.

At Lonrho's Annual General Meeting in London on 8 March, a Gulf representative indicated his company's intention to use its 21% shareholding (40mn shares) to put two of its nominees on the Lonrho board.

The representative said his company "is not and has not, for some time, been a satisfied in-

vestor" in Lonrho. "The increase in profits before tax, shareholders' funds and earnings per share have been impressive," he said. "The performance over the same period of the share price has not, however, been impressive."

In accordance with the rules of the company, a poll of shareholders was arranged to test support for the Gulf proposal. Both Lonrho and Gulf sent shareholders conflicting accounts of their past relationship and their current case.

Rowland accused Gulf of failing to win Lonrho new business in the Middle East, of trading "heavily" in Lonrho shares "while keeping its directors on the board", thereby demonstrating "disregard for accepted City practices", and revaluing its investment in Lonrho shares in a way which "would not have been in accordance with UK accounting practice".

Shaikh Nasser equally forcefully denied all Lonrho charges. He argued that he and his associates had subscribed over £15mn worth of new capital to Lonrho and that Lonrho's efforts to raise capital through rights issues in September 1976 and April 1977 had been facilitated by his own undertaking that Gulf would take up its rights to the full.

Replying to Rowland's implication of "un-British"

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share-dealing practices. Shaikh Nasser said that over the period in question Gulf and its associates had been net buyers of over 2mn Lonrho shares and they did not believe that this could be "deemed to be detrimental to the share price."

A bitter side-argument developed over whether Rowland had been approached by Gulf with notice of its intention to seek representation on the Lonrho Board. Gulf said its nominee, Ferguson, an executive of Shaikh Nasser's public investment company, the Sharjah Group, had discussed the matter.

A Lonrho source told THE MIDDLE EAST that Rowland "wouldn't talk to Ferguson about shareholdings. You can't discuss matters of that importance with a representative. Ferguson may have come here. But I think he came to talk about suits."

Replying to Gulf criticism of Rowland's lack of communication with his shareholders, the Lonrho source pointed to the result of the shareholders' poll, which divided 97.5mn in favour of Lonrho incumbents and 46.3mn in favour of Gulf. "Relations between our company and its shareholders have manifested themselves in this poll," he said.

Leaving aside Gulf's 40 mn shares, and despite his associates' claim to have secured institutional backing for their case, Shaikh Nasser was thus only able to win a further 6mn votes. Rowland, on the other hand, whose personal stake in Lonrho is 26.25mn shares, managed to gather a further 70mn.

However, a Gulf spokesman had previously told THE MIDDLE EAST: "We're pretty determined. We didn't raise this issue just to be toppled at the first fence."

Lonrho for its part was sanguine about its success. Commenting on its relationship with the Arab world, its own spokesman told THE MIDDLE EAST: "We were the first people there, we learnt a lot, and we're not willing to put our emphasis there any more. We're much more interested in the Western Hemisphere at the moment."

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