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2 November 1979

# Near East/North Africa Report

No. 2040

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INTER-ARAB AFFAIRS

ISRAEL SAID TO LASH OUT WHEN THREATENED

Kuwait AL-QABAS in Arabic 19 Aug 79 p 1

[Editorial: "Zionism Is on the Retreat and Israel Is in a Tight Spot, so Let Us Be Vigilant"]

[Text] However much Zionism accomplishes in the way of influence, authority and penetration, it cannot impose its hegemony over the world, and links the world's interests with its own. The fierce Zionist impetuous thrust has begun to give rise to reactions against it. Anyone who studies indicators certainly emerges with a conclusion that is not lost upon the leaders of the Zionist movement.

Since Israel was established, Israel has gone on record in attaining two peaks, a military peak in the June 1967 war and a political peak in the peace treaty with Egypt in March 1979. Everything in Israel has begun to fall to pieces quickly. Even its military superiority in the 67 war got a huge shock in October 1973, and its political triumph at Camp David has, with great rapidity, begun to lose its gloss.

Domestic conditions in Israel are growing increasingly bad. Terrible inflation has reached the highest level since the state was founded and is one of the highest levels in the world if not the highest. Governmental management is torn with graft and shady deals, including the army, and political life is replete with bitter quarrels.

Abroad, Israel is suffering from severe international isolation and has begun to lose the traditional source of sympathy it used to enjoy, particularly in Europe. Europe today has perhaps begun to feel that it has done enough to "atone" for the crimes of Nazism against the Jews, and feels that Israel cannot continue to blackmail the European countries forever, all traces of World War II having been wiped out.

In fact, the Zionist movement in the United States has begun to feel severely constrained because it can no longer achieve the easy domination it had in the past as the American arena is no longer open to it without conditions and difficulties, because the Palestinian voice has begun to be heard



everywhere and in America itself. The Andrew Young case may be tangible proof of radical shifts in an important political sector in the United States. We should therefore not be surprised at the bitter tone of the statements by Israeli officials, because they have begun to feel as if they are in a state of siege, the most sensitive Zionist complex throughout history. Every time Israel has been afflicted with those feelings, it has emerged with a military strike aimed at the Arabs. We should not greatly discount this probability in the throes of our attempts to pierce Israel through political action alone.

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INTER-ARAB AFFAIRS

ABU MAZIN INTERVIEWED BY TUNISIAN JOURNALISTS

Tunis AL-SABAH in Arabic 9 Sep 79 p 11

[Interview with Abu Mazin: "Interview With Abu Mazin by Journalists in Tunisia: 'If Jews Were Given the Right of Self-Determination, Not One Jew Would Remain in Israel'"]

[Text] Mr Abu Mazin, member of the Executive Committee of the PLO and chairman of the organization's delegation to the [Destourian] Party's Conference held a press conference yesterday afternoon that was attended by a group of local and foreign journalists. He answered different questions that attending journalists asked him. These questions revolved around the tragedy of South Lebanon; the possibility of forming a Palestinian government in exile; the possibility of having a dialogue with the United States and with Israel; the possibility of recognizing Israel and coexisting with the Jews; the role of the Arab League in helping the Palestinians regain their usurped land; and the position of some European countries on the PLO at the present circumstance. [Abu Mazin was also asked] to identify the Palestinian question and the magnitude of Palestinian combat action on the occupied land.

[Question] The Saudi Arabian ambassador to Lebanon has stated that it is quite likely that an Arab summit debate will be held next November to study the situation in South Lebanon. Do you have knowledge about the possibility of convening such a summit? If you do, where and when will it be held?

[Answer] I have no knowledge of this subject. I personally believe that convening an Arab summit in the near future is unlikely and that it would be difficult to achieve because this would require communications, consultations and preparations that the Arab countries would make. This has not yet happened.

[Question] What does the PLO think [must be done] to save South Lebanon from its predicament?

[Answer] [The action of] igniting the fires of war in South Lebanon is fomented by the United States. [The war breaks out in South Lebanon] then with the recommendation and encouragement of the U.S. administration which is hoping thereby to exterminate all Palestinians and to paralyze their guerilla activities.

We had some time [in the past] ceased all our military actions in South Lebanon so that we would not be giving Israel an excuse to bomb the area. But Israel ignored the matter and continued to direct its blows against South Lebanon in spite of the fact that UN troops are there. Only yesterday Israel attacked these UN troops.

[Question] How has the liberation organization received the invitation extended by UN Secretary General Kurt Waldheim to convene an international conference around the questions of the Middle East?

[Answer] The organization welcomes any such invitation provided that Resolution 242 not be the basis of discussion. This resolution considers the Palestinians mere refugees.

[Question] What do you think about the idea that the secretary general of the Arab League has suggested--the idea that calls for entering into negotiations with the Zionist enemy?

[Answer] I have not heard about this at all. I am saying that we accept any proposal suggested to us to participate in a debate that would be attended by all the parties concerned in the dispute. With regard to the Geneva debate, we said, "Send us an invitation, but not as refugees. We will come to have discussions with all the countries including the Zionist enemy.

But I want to emphasize here that we are not willing to enter into separate negotiations with Israel.

[Question] The U.S. president has recently stated that the leaders of the Arab countries were not convinced that a Palestinian state should be established. No Arab leader had told him in the separate private meetings [he had had with them] that he wanted an independent Palestinian state established. [Carter said] that he had spoken with Jordanian, Syrian, Saudi and Egyptian leaders and that none of them had indicated a need for establishing such a state. What is your opinion about this statement?

Is the PLO thinking about forming a Palestinian government in exile?

[Answer] We have become accustomed to the fact that Carter makes statements and then retracts them. We do not believe in his statements because we think they are claims and fabrications. There is no basis of truth to his statement that Arab leaders are not calling for the establishment of a Palestinian

state. The purpose of this statement that he made recently was to deny the right of the Palestinians to create an independent state on their occupied land. This is a right that Arab countries have declared they were convinced of. As an example, let me mention that Jordan is openly calling for the creation of this state.

The second question that pertains to the possibility of forming a Palestinian government in exile was proposed to us many times and on many occasions. Some Arab countries suggested that we form a government in exile. On our part we do not refuse the suggestion in principle, but we do not think that the time has come to form such a government. As long as the PLO is recognized as the sole official spokesman for the Palestinian people by more than 105 countries (at present about 110) and as long as it can attend the debates and the meetings that take place on the international scene, we see no need for establishing a government in exile under the present circumstances.

[Question] President Habib Bourguiba has repeated in his speeches that solving the problem of the Middle East lies in acceptance of the Partition Resolution that was issued by the United Nations Organization in 1947. Does your organization share the Tunisian president's opinion?

[Answer] Yes, we agree with this opinion.

[Question] Does not this contradict the positions of some parties?

[Answer] What are the parties to which you are referring saying? They are saying, "We want a free, independent Palestinian state. Some Arab countries are calling for the return of the West Bank and the Gaza Strip, that is, the return of one third or less of the occupied Arab land. The Partition Resolution gives us 50 percent of this land.

[Question] Do the Palestinians accept coexistence with the Jews?

[Answer] The Palestinian state that we are hoping for is a gradual step towards the establishment of peace in the area. There can be no peace unless all the parties live together under the protection of a democratic state.

When we talk about regarding our land and forming a state, we are not talking about throwing the Jews into the sea. There are Jews and there are Zionists; we are fighting only the Zionists. Those are the Jews who are being driven by imperialist plans. As long as there is an aggressive, expansionist, racist, Zionist ideology, Jews may be considered victims of imperialism because they are serving the purpose of others. And here I borrow the words of one of the Israeli journalists [who said], "We are [like] a sharp-toothed watchdog that is tied to a chain held by the United States of America. The United States can release this dog whenever it wishes and against whomever it wishes."

[Question] How does your organization view the meetings that take place from time to time between U.S. officials and Palestinian officials?

[Answer] Andrew Young, the U.S. ambassador to the United Nations met with the PLO representative Zuhdi Labib al-Tarzi, and, as you know, the U.S. administration punished Young by firing him. On our part, we see no objections to meeting with Young or with any other U.S. citizen. This is evident and requires no proof. It is the United States that refuses to talk with the PLO and not the reverse.

Goldman had asked for a meeting with the brother Yasir 'Arafat, and then he reconsidered [his request]. But then he came back, and he talked sensibly. This is not strange considering that some Israelis have accepted reality. Goldman does not represent only his own personal position, but he rather represents the position of 60 or 65 percent of the Jewish citizens. This is an indication that the Palestinian question has not imposed itself everywhere.

[Question] Did you have meetings with representatives of some of the chairmen of the foreign delegations that came to attend the Tenth Conference of the Destourian Socialist Party so you can inform them about the truth of the situation in the Middle East and define the Palestinian question to them?

[Answer] Yes, I did have meetings with the representatives of the Belgian and French delegations. They had a serious point of view which affirmed that the parties they represented understood the Palestinian question. The Belgian representative spoke to me about the terrorism in Europe, and I assured him that the organization rejects action against any agency outside the occupied land. I also had contacts with friendly delegations, and we exchanged points of view.

[Question] What are the PLO's expectations from the Arab League after its move to Tunisia?

[Answer] The Arab League, as is known, was established for the purpose of defending the interests of the Arab nation in general and for the purpose of liberating occupied Palestine in particular. But this tool did not play any role in the past in presenting the Palestinian question to the world and to the Arab world, particularly through the media. It is its duty today to present the question of Palestine in a new image, in a suitable image, so that the world may become convinced of its justice. In order to achieve this the league needs to form a special division called the Israel Division so that everyone would know the truth about this enemy, especially since the information that the league has about Israel is less than what is desired.

This action is important and difficult. It is essential if we want to know the problems that our direct enemy faces. It is only in this way that we can fight him effectively.

[Question] Israel has recently published news in the European press indicating that it loses more people in traffic accidents than it does in the war with the Arabs. Does this mean that the combat power of the revolution is diminishing?

[Answer] There is no basis of truth for such a statement; it is a misleading statement. Israel does not recognize the truth because it realizes that if it were to do so, all the Israelis would leave it. It is careful of allaying the fears of the Jews, and it tries to make them believe that there is nothing to threaten their peace and safety.

With regard to immigration, for example, statistics indicate that between 20,000 and 25,000 Israelis emigrate from Israel every year. As far as the Russian Jews are concerned, 70 percent of them do not go to Israel.

I personally believe that if the Jews were given the right of self-determination, not a single Jew would remain in Israel. It is unfortunate that 65 percent of Israel's citizens are from the Arab countries. If the doors were opened to them, they would return to their original homelands.

As our part, we will try to create an association that we will call the Association for Defending Jews.



أبو مازن

Abu Mazin

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INTER-ARAB AFFAIRS

'MAP' REVIEWS MOROCCAN PRESS ON CITIZEN HELD IN MAURITANIA, SAHARA SITUATION

LD231352 Rabat MAP in English 1243 GMT 23 Oct 79 LD

[Press review]

[Text] Rabat, Oct 23 (MAP)--The Moroccan dailies devoted their commentaries this Tuesday to the destiny of the Moroccan militant Mohamed Lamine who is detained in Mauritania, and to the Soviet-Algerian talks on the Moroccan Sahara.

AL-BAYANE, published by the Party for Progress and Socialism (PPS), stated that "the Mauritanian authorities imprisoned Mohamed Lamine Ould Hormatallah Dlimi because he refused to back 'the Algiers agreements' concluded between the Mauritanian leading team and the POLISARIO mercenaries. His detention is illegal and unjust".

"Mohamed Lamine has only protested his Moroccanity, and his attachment to the sacred cause of defending the national unity. The Mauritanian authorities should have arrested and imprisoned all the Oued Ed-Dahab population which strongly expressed its will to reintegrate the mother land when Nouakchott began to renounce. This imprisonment tarnishes the Moroccan-Mauritanian relations because Mohamed Lamine is Moroccan, has struggled to remain Moroccan, and refused to yield. As long as Mauritania proclaimed its neutrality, it must liberate this Moroccan citizen whose only guilt is to love his country, Morocco. So we strongly claim the immediate liberation of Mohamed Lamine, well-known for his attachment to the Moroccan nation", stated further the daily.

About the Soviet-Algerian talks on the Moroccan Sahara, the Istiqlal Party's daily L'OPINION wrote, "At the time when the Algerian authorities are undertaking a propaganda to denounce the eventual supply of American weapons to Morocco, talks are held in Moscow to examine 'the military situation in the Sahara', and therefore an increase of the Soviet aid to Algeria".

"By facing this war which is imposed on it, Morocco defends a just cause, and its right to territorial integrity, a notion that is strongly defended by the socialist bloc", added the daily which wonders why the Soviet Union

and its allies support the Algerian aggression, and supply Algeria with arms and ammunition, while they have always claimed the respect of the sovereignty and the independence of states."

L'OPINION added, "In fact, the Soviet attitude is incomprehensible, because on one hand it strengthens its economic co-operation with Morocco (phosphates, fishing, etc...) and on the other hand it puts at the disposal of those who aggress Morocco the most murderous arms. The situation in the Maghreb is explosive and the fact [that the USSR continues to] supply Algeria with more and more sophisticated arms will only stir up its hegemonist aims".

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INTER-ARAB AFFAIRS

PALESTINE LIBERATION ARMY COMMANDER IN JORDAN INTERVIEWED

Kuwait AL-QABAS in Arabic 26 Aug 79 p 15

[Interview with Brigadier Nuhad Nusaybah by AL-QABAS Correspondent 'Abdallah al-'Atum: "We Are Only a Part of the Organization, But We Have Requests"]

[Text] What are the opinions and judgments of Staff Brig Nuhad 'Ali Nusaybah commander of the Palestinian Liberation Army in Jordan, and what is the situation of this army?

In an interview with AL-QABAS Brig Nusaybah responded to questions on this matter. The Palestinian Army was created with Arab unanimity on 9 October 1965. It was to carry out responsibilities that were endorsed in the successive sessions of the Palestinian National Council and approved by the Arab League, represented by what was then the unified Arab command."

The Responsibilities of the Army

The most important of these responsibilities are:

The Palestinian people were to be trained to fight in the different places where they lived, and they were to be fused into the military melting pot so that they could be ready and prepared to embark upon the battle of liberation.

Everyone of our citizens who can carry arms was to be armed. This could be done by forming reserve units and popular resistance units that strengthen and support the regular army in battles.

The armed resistance inside the occupied homeland was to be supported and strengthened; leadership cadres and elements working against the occupation were to be secured so that the armed struggle could continue and could be escalated.

The Zionist enemy was to be opposed, and the places where our people live were to be defended as much as circumstances of their residence and their relations with the host fraternal countries would permit.

All the energies of our people were to be utilized and put to use in the process of achieving military preparedness and coordination with the fraternal Arab armies during the stages of preparing for the war and when fighting breaks out. The purpose of doing this is to achieve the best results in the battles that our nation is waging against the enemies to achieve its goals for liberation and unity.

#### Duties and the Role

[Question] What are the duties of your army?

[Answer] Our army is committed by bilateral agreements to the armies of the fraternal countries where our army is located. These agreements guarantee control over the relationship [between our army and the army of the host country] and cooperation with the brothers during the stages of preparing for the battle and during the battles. Our course continues to be governed by a spirit of fraternity and mutual confidence in the absence of agreements.

[Question] What is the role that you are playing now?

[Answer] With the exception of the groups that are working in the occupied land--and they are modest--the Liberation Army is not doing anything more than what the fraternal Arab countries are doing.

#### The Nature of Relationships

[Question] What is the relationship between the PLO, the Palestinian Liberation Army and the Jordanian armed forces?

[Answer] We are part of the Palestinian Liberation Army, and there is no relationship that may be described as such because, like any other army organization in the world, we follow our command in every minor and major detail.

With the PLO, we are part of a part. The Palestinian Liberation Army is part of the liberation organization. In fact, the army constitutes the regular Palestinian armed forces; that is, the army is the military establishment of the liberation organization. We are part of this army, and this relationship may be viewed in this context.

But our relations with the Jordanian armed forces go beyond relations that exist among brothers.

#### Where Do Salaries Come From?

[Question] Where do the appropriations and the salaries for the army come from?

[Answer] I do not think that anyone is ignorant of the fact that since 7 January 1976 appropriations for the Palestinian Liberation Army have been suspended by the officially authorized agency which is the National Palestinian Fund. The organization's executive committee had issued a decision to that effect at that time.

The Jordanian and the Syrian commands provided the needs of the army and prevented its dissolution and its expiration; and they are still paying [the bills].

#### The Problem of Explosives

[Question] What do you think about the repeated attacks on the building of the command of the Palestinian Liberation Army? (The third such incident had occurred at the end of last month; an explosive package had exploded in the outside fence of the building.)

[Answer] These are actions [to create] disturbances, and we pay no attention to them. Regardless of the identity of the perpetrators, the net result of the operations that are directed against any target in the Arab countries or against any political or military figure is one that serves the interests of the Zionist enemy and no one else.

But what hurts is the fact that these operations target centers which deliver humanitarian services also, such as the late Ibrahim Abu Diyyah Hospital which is affiliated with the Liberation Army. This hospital offers therapeutic services to our people. In whose interest is an explosive placed in this hospital as a result of which its window panes are broken?

#### Disagreement With the Organization

[Question] What about the matter of the disagreement [that you have] with the PLO? What are the reasons for it?

[Answer] I object to the way you phrased that question. [The situation] here is not one of two parties, with us being one party and the organization being the other. We are only part of the organization, but there are requests which the liberation army command presented to the organization's executive committee. These requests are:

Expanding the army and modernizing its weapons;

Earmarking a budget for this army; and

Making a commitment to the stipulations of the Palestinian National Charter.

I do not concede that there is anything in these demands that is not justified.

The Autonomy Project

[Question] What is your opinion of autonomy on the West Bank?

[Answer] Our people have turned down this conspiracy and have given its leaders, the parties of Camp David, a decisive answer. The response did not consist of words, but rather actions. These parties were not able to find any one of our people who would accept carrying this conspiracy through.

[Question] What about the ongoing political communications and meetings?

[Answer] Political action must be given the opportunity to establish just and honorable peaceful solutions provided that this [political action] proceed on a course parallel to the mobilization and the preparations for military action. We are firmly convinced that our enemy will not retreat voluntarily from one inch of our land.

We must therefore welcome any political initiative or effort whose purpose is to establish a solution provided that such initiative or effort be in the context of UN resolutions and those resolutions that were endorsed unanimously by the international community.



Brigadier Nuhad Nusaybah, on the left, speaks with the correspondent of AL-QABAS.

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INTER-ARAB AFFAIRS

APICORP ISSUES 1978 ANNUAL REPORT

Jiddah SAUDI BUSINESS in English 19 Oct 79 pp 19-20

[Article by Geoff Gardener]

[Text]

The 1978 annual report of the Arab Petroleum Investments Corporation (APICORP) shows considerable progress in the move to invest Arab money in downstream Arab petroleum projects.

The growth of APICORP, which was established in November 1975, has been as tremendous as that of the environment it serves.

The corporation had contributed to management and underwriting of loans and project-linked bond issues totaling \$ 1.75 billion by the end of 1978, compared to \$ 234 million in 1976, the first year of operation.

Other figures in the report show that net assets increased by \$ 19 million, equivalent to the net profit for the year. These profits, which the shareholding governments left with the corporation, were above expectations and in spite of the decline of the dollar, according to Mufid Rashid Mirza, acting general manager of APICORP.

"We were expecting our profit to be less (because of the decline of the dollar)," Mirza said. "But we managed to reduce our losses by going into other currencies."

Another indicator of growth is that project-related investments amounted to SR 403 million (31 per cent of net

assets) in 1978, as opposed to SR 252 million (19.7 per cent of net assets) in 1977.

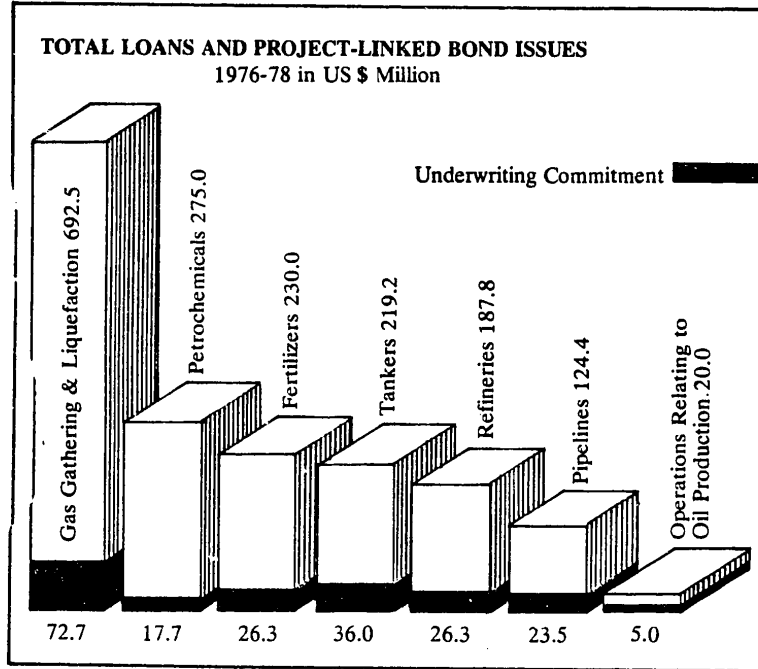
The corporation was founded with the 10 OAPEC governments as shareholders. Saudi Arabia, the United Arab Emirates and Kuwait each hold 17 per cent; Libya has 15 per cent, Iraq and Qatar 10 per cent each; Algeria has 5 per cent; Bahrain, Syria, and Egypt (whose membership is suspended) have 3 per cent each.

Paid-up capital of SR 1.2 billion added to accumulated reserves of SR 146 million gives APICORP total resources of SR 1.346 billion.

On average, 80 per cent of APICORP's participation in loans and bonds in 1976-78 went for downstream petroleum processing projects, while the remainder went for other oil-related projects, according to the report. During 1978, the corporation managed, co-managed and arranged project-linked loans and bond issues totaling \$ 896 million, 31 per cent more than in 1977, and 74 per cent more than 1976.

APICORP's underwriting commitment in 1978 was \$ 109.2 million, equivalent to 12 per cent of the total value of loans and bond issues.

The gas gathering and liquefaction sector of the oil industry received the



greatest percentage of loans and bond issues with 47.5 per cent. Next was petrochemicals (19.5 per cent), tankers (6 per cent), Oil refineries (10.5 per cent) fertilizers (14.5 per cent), and operations related to oil production two per cent, according to the report.

APICORP's largest investment in 1978 was for the Jordanian Fertilizer Project, a \$ 430 million project, according to the World Bank. The corporation loaned \$ 20 million to the project and bought 10 per cent of the equity. Production is scheduled to begin in 1981. The project will process 1.3 million tons of phosphate rock annually. Annual production of di-ammonium phosphate will be 740,000 tons, and a surplus of 105,000 tons of phosphoric acid will be exported.

APICORP's smallest loan in 1978 was \$ 3.5 million to SONATRACH, the Algerian state oil and gas company. APICORP was one of the lead managers of the \$ 250 million loan for the financing of the second Algerian Liquefied

Natural Gas Project (LNG II). The \$ 3.06 billion project has a capacity of 10.5 billion cubic meters and will be on stream in 1980. The corporation played a similar role in the financing of the first LNG project in 1977.

Other projects financed in 1978 include:

\* Equity and debt financing for the \$ 95 million gas-gathering and liquefaction project in Bahrain (BANAGAS). APICORP acted as co-lead manager for the \$ 60 million loan and has a 12.5 per cent equity share in BANAGAS. The Project will produce 150,000 tons of LPG and 100,000 tons of natural gasoline per year for export. Construction will be completed in the next two months, according to Mirza.

\* APICORP participated in the management group of a \$ 50 million floating rate loan to the Abu Dhabi Gas Liquefaction Company. Capacity of the project is 2 million tons of LNG and one million tons of LPG per year. Total cost is \$ 500 million.

\* Petrochemical loans consisted of participation in the management group for a \$ 175 floating rate loan to the Qatar Petrochemical Company as part of the \$ 630 million total cost. Production capacities are 280,000 tons for ethylene and 140,000 tons for low density polyethylene.

\* APICORP participated in the management of two bond issues of SR 50 million and 10 million Kuwaiti dinars for the Algerian National Company for Navigation to finance a program for a specialized fleet of tankers to transport LNG and LPG.

\* Oil refinery projects included participation in the management group for a \$70 million floating rate loan refinancing for the Jordan Petroleum Refinery Company. The loan will finance the third extension of the refinery. Total cost is \$174 million. The corporation acted as co-manager for a KD 7 million bond issue for Morocco to finance a second refinery with a capacity of 3.5 million tons per year. Cost is \$170 million, and production began at the end of 1978.

\* Operations related to oil production included participation by APICORP as one of the managers of a \$20 million floating rate loan to finance water injection in El-Borma oil field, in Tunisia. The field accounts for more than half of Tunisia's oil production.

Since approval of these in 1978, APICORP has this year moved into financing of production facilities to manufacture intermediate detergent chemicals. In 1979, studies showed that detergents are needed in the Arab market, Mirza said. Like other APICORP ventures, the project will reduce imports of raw materials. Economic units will be established to produce linear alkyl benzene as a surfactant and sodium teypoly phosphate as a builder.

Last May, Dr. Nureddin Farrag, general director of APICORP, told "Arab News" that several projects had been approved at the annual general meeting.

APICORP will lead manage a \$ 150-200 million loan to boost production in

Oman's Marmul oilfield. In Tunisia, the corporation will manage a \$40 million credit to keep up oilfield pressure and will also participate in setting up a 2.5 million-ton per year domestic refinery at Bizerte. Total cost is \$250 million. The largest project agreed by APICORP in May was to lead manage a \$500 million loan for SONATRACH to develop gas fields and explore for gas.

Although few figures are available for future projects, the annual report listed several joint Arab projects under study and construction. They include:

\* A joint drilling contract project to operate in the Arab oil sector. APICORP is co-operating with the Arab Petroleum Services Company for the pan-Arab project, which is already underway. Three drilling rigs have been bought and will be delivered this year. Negotiations are going on for a foreign partner.

\* The manufacture of catalysts is under study. A first study has determined the size of the Arab markets and identified two major catalyst groups: Ammonia-related and refinery-related catalysts. Total cost of construction will be from \$15 to 20 million. Capacity will be around 1,500 tons a year for each at first. This should at least double by the mid-1980s. Again, foreign partners will be brought in.

\* APICORP has been requested by OAPEC to study a project, estimated at \$200 million, to establish a pan-Arab plant to produce lube oil. Market studies show that Arab regional demand is greater than the installed capacity in Arab states. First production should be around 200,000 tons per year.

\* Synthetic fibers are another downstream product which the corporation is considering for an Arab regional market. Polyesters are the basic fibers which studies show should be produced first.

\* Synthetic rubber and carbon black. Like synthetic fibers, these are capital intensive, require special technology, and must have large markets to be profitable.

\* Pesticides, another project being

studied, would benefit Arab agriculture and help substitute food imports, which many Arab countries have declared as an intention.

Costs and sites have not been determined for these proposals. This is part of APICORP's job, which it does in conjunction with such organizations as the Industrial Development Center for Arab States, the Arab League and its Economists Department, the Arab Fund for Economic and Social Development, and various consulting firms.

APICORP has a staff of 63 employees and is planning to expand. A sign of APICORP's growth is that it is constructing its own living compound, which should be completed in 1980.

The need for organizations like APICORP is clear when one considers the size of the Arab petroleum sector. The annual report cites an estimate of \$73 billion as the sum spent by the Arab world in petroleum projects from 1976-1980. The figure does not include investment in oil and gas production, which accounts for half the total capital invested. Oil and gas capital expenses in 1975 was \$2.1 billion.

CSO: 4820



INTER-ARAB AFFAIRS

OAPEC RELEASES STATISTICS ON OIL PRODUCTION

Kuwait AL-QABAS in Arabic 19 Aug 79 p 13

[Article: "Kuwait, the Third Ranking Arab Country in Oil Production; the Arab World Produces 20 Million Barrels of Oil a Day"]

[Text] Daily total oil production in the member countries of OAPEC has reached 19,689,000 barrels. There are also now 41 refineries in these countries, and refining capacity has reached 2,977,000 barrels a day, that is, the refining capacity of the Arab countries amounts to 15 percent of their oil production. All this was contained in OAPEC statistics.

Following is a detailed presentation of the production and refining capacity of the Arab countries:

Saudi Arabia produces 8,300,000 barrels a day. It has 5 refineries with a capacity of 725,000 barrels a day, and the ratio of refining to production is 8.7 percent.

Iraq produces 2,629,000 barrels a day. It has eight refineries, the highest ratio of all the Arab countries. These refineries have a capacity of 226,000 barrels a day, and the ratio of refining to production is 8.6 percent. Kuwait produces 2,096,000 barrels a day. It has 3 refineries with a capacity of 644,000 barrels a day, and the ratio of refining to production is 30.7 percent.

The Libyan Jamahiriya produces 1,990,000 barrels a day. It has 3 refineries with a capacity of 138,000 barrels a day, and the ratio of refining to production is 6.9 percent.

The UAE produces 1,831,000 barrels a day. It has only 1 refinery, with a capacity of 15,000 barrels a day, and the ratio of refining to production is .8 percent.

Algeria produces 1,225,000 barrels a day. It has 3 refineries with a capacity of 115,000 barrels a day, and the ratio of refining to production is 9.4 percent.

Egypt produces 490,000 barrels a day. It has 6 refineries with a capacity of 236,000 barrels a day, and the ratio of refining to production is 48 percent.

Qatar produces 486,000 barrels a day. It has 1 refinery with a capacity of 10,000 tons a day, and the ratio of refining to production is 2 percent. Syria produces 170,000 barrels a day. It has 2 refineries with a capacity of 237,000 barrels a day, and the ratio of refining to production is 135 percent.

Bahrain produces 56,000 barrels a day. It has 1 refinery with a capacity of 250,000 barrels a day, and the ratio of refining to production is 446 percent.

These are the statistics for the Arab countries who are members of OAPEC. Statistics for non-member countries are as follows: Oman produces 320,000 barrels a day and has no refineries. Tunisia produces 100,000 barrels a day and has 1 refinery with a capacity of 25,000 barrels a day. Morocco produces 10,000 barrels a day and has 2 refineries with a capacity of 78,000 barrels a day. The other Arab countries, PDRY, Lebanon, Sudan, Jordan and Somalia, do not produce any oil, and each has one refinery.

8389  
CSO: 4802

INTER-ARAB AFFAIRS

'AL-QABAS' COMMENTS ON CHINA'S ECONOMIC POTENTIAL

Kuwait AL-QABAS in Arabic 27 Aug 79 p 11

[Editorial by Sa'id 'Ilm-al-Din: "Winds of the East"]

[Text] If reports about the discovery of huge oil reserves in China, estimated at 100 billion barrels, are correct, it will be the biggest oil strike in the last quarter of the 20th century.

Nevertheless, the Chinese oil reserves that have been discovered will still be less than Saudi Arabia's reserves of 108 to 150 billion barrels and greater than the Kuwaiti reserves estimated at 65 to 75 billion barrels, which exceed the reserves of Iraq, Iran, the UAE, Qatar, Libya and Algeria, and which are possibly not much less than the reserves of all these countries put together.

The discovery of the new Chinese reserves comes in the wake of a lot of talk about the presence of huge oil reserves under Mexico, estimates of which have run from 100 to 200 billion barrels, though the most likely quantities are in the 60 billion barrel range.

So the 80s will witness the influx of new oil reserves into the international oil consumption turmoil, but they will be enough for international consumption for only a few more years, particularly if international consumption continues to grow at its present rate.

The important thing is that development of these reserves and making them productive will cost several billions of dollars and will take a minimum of 10 years. If we take as an assumption that between 4 and 6 million additional barrels of oil will enter international markets during the next 10 years, we arrive at an important conclusion, that is, that the Chinese and Mexican oil will not pose significant competition to the influence of the Middle East countries because the world will then be in need of greater quantities of oil.

The important thing also is that China wants to transform its oil wealth into technology; in other words, by trading oil for advanced technology. If technology "takes root" in China, that would mean the birth of the biggest and strongest country in the world, possibly in all of history, from the standpoint of manpower and military strength and possibly economic strength. Will the big powers accept the injection of the Chinese body into the "elixir" of power?

Complicated calculations play their role here. However, if there is no dramatic breakthrough in the development of alternate energy sources, and if the industrial countries do not hold to their decision to halt the growth of their oil consumption, China will get the technology.

8389  
CSO: 4802

AFGHANISTAN

FRENCH GROUP CALLS FOR POLITICAL REFORM

Paris LE MONDE in French 6 Oct 79 p 8

[Text] An appeal for Afghanistan: some 20 Frenchmen, "who have devoted a significant part of their lives" to Afghanistan, have written us expressing "their deep distress and concern... vis-a-vis the events which have drawn blood in the country for more than a year." They go on to say that "none of us can deny the crying need to initiate significant reform in Afghanistan. On the other hand, we object to the brutality with which these reforms have been established. Furthermore, we decry the suppression in politics of all critical comment, and, finally, we denounce the fierce repression to which all opposition to current leadership has been subjected."

Friends of Afghanistan, c/o Librairie l'Asiatheque, 6 rue Christine, Paris-6e.

CSO: 4900

ALGERIA

OPPOSITIONIST LEADER DISCUSSES CONDITIONS IN ALGERIA, MAGHREB

Paris AL-NAHAR AL-'ARABI WA AL-DUWALI in Arabic 30 Sep 79 p 8

[Interview with Bachir Boumaaza by Musa Hamati: "Is the Cleanup Campaign in Algeria Improvised and Temporary or Is It Carefully Considered and Continuous? Boumaaza Says, 'Presidency of Bendjedid Is a Technical Solution; Government and Opposition Have To Talk; Practices of Mohamed V Caused Problem of Sahara; Morocco Became Concerned About It After Phosphate'"]

[Text] "This campaign is neither temporary nor improvised," said an Algerian official after the cleanup campaign that Algeria has been experiencing for 2 weeks began. Is it not temporary? This is what we hope. But is it not improvised?

This is how most Algerians respond.

"Algeria is experiencing a difficult internal crisis. Bribery is widespread on all levels. Economically, there is unemployment, and there is less industrial activity to speak of. In addition, fraud and theft do take place...."

This is what the observers know.

"I went with a friend to visit a mutual friend. The visit ended and we went out to the street, but my friend did not find his car. It had been stolen. He said that it was a normal incident. This climate has produced a specific mode of life. Everyone looks after his own affairs himself." This was what 'Abd-al-Qadir, a young Algerian man living in exile, said. He returned "disappointed" from a visit to Algeria that lasted a matter of days.

His friend, who is also returning from Algeria, said, "The current social and political situation is the legacy of past political practices which produced a psycho-social situation that is a kind of indifference. This indifference is summarized by a remark made by a taxi driver; the remark is still quoted by people in Algeria. [The taxi driver had made that remark] after the airplane of King Hassan II had been shot at. He had said, 'This is the war of powerful people; it is of no concern to us.' One finds this indifference wherever one goes in Algeria."

The emotional nature of these impressions does not hide the fact that these impressions reveal a significant aspect of domestic life in Algeria. It is an administrative "semi-chaos" that prevails in a society 54 percent of whose citizens are young people suffering from unemployment and "confronted by indifference in [an effort to] search for a place for themselves in western civilization.

In connection with this situation there is a general feeling among the Algerian people--those who support the regime, the undecided and those who oppose it--to blame [the indifference and the semi-chaos] on the "difficult legacy" that was left by the late President Boumedienne as a result of his unilateral exercise of power inside the country and abroad. It is this unilateral exercise of power that created--in addition to the political upheavals from which Algeria has suffered since its independence--a kind of isolation between the Algerian people [and their government].

'Abd-al-Qadir points out, "The recent initiative may be an appeasing action that assumes, when placed in the context of the other appeasing initiatives that were taken since Chadli became president, the features of a will for change and renewal in political practice. Therefore, we are hoping that this not be a temporary initiative."

Are these signs of hope? Perhaps. But so far at least President Chadli Bendjedid is the only one who is reaping the fruits of the openness initiatives which others had undertaken: releasing Ben Bella and other political prisoners; allowing Algerians total freedom to travel from and to the country; the cleanup campaign; and then the official press campaign against the government's "tribal" practices which have gradually led to the reinforcement of a regional attitude and to "bribery and influence buying" ( EL MOUDJAHID 10/9/1979). These initiatives were accompanied by statements about "the climate of tolerance" that Chadli's policy is affording and by initial questions about the future of the opposition that is living in exile.

Hocine Ait Ahmed the former member of the Revolutionary Council is the one who established the Front of Socialist Forces and is leading it. He is asking for the Berbers' rights to their own culture. He was sentenced to die during the days of Ben Bella because he had established a center for revolutionaries in Kabylia. He is now living in Switzerland.

Mohamed Boudiaf former vice president of the Algerian provisional government that was formed in exile established the Socialist Revolutionary Party and is leading it. He is living in Paris.

Former Army Commander Tahar Zbiri left Algeria in 1970 after the military coup that he had led in the city of El Affroun failed. Along with Ali Mahsas he established the Movement for Defending Freedoms and Democracy. Zbiri and Mahsas are living in Paris.

"A Technical Solution"

"We must know that the only alternative available to [government] opponents who want to return to Algeria is that they consent to live in silence and in obscurity."

Following the visit of another member of the opposition, Bachir Boumaaza, Boudiaff, a former minister in Ben Bella's government and a former member of the Revolutionary Council said, "No one accosted me. I did everything I wanted to do in total freedom."

AL-NAHAR AL-'ARABI WA AL-DUWALI met with Boumaaza, who is residing in Switzerland, after his return from a visit to Algeria.

Boumaaza said, "[This was] after the death of President Boumediene and the assumption of Chadli Bendjedid the position of president. If we were to take into consideration the events that preceded the announcement of [Boumediene's] death and those that brought Chadli to power as well as the climate of 'tolerance' that he provided, [we would understand the rationale behind] my taking the initiative of going to Algeria in spite of the fact that I maintained my position and in spite of the continued difference between my point of view, as a member of the opposition, and the point of view of the regime in power. I sent a letter to the recent conference of the National Liberation Front [FIN] in January 1979, and I expressed my opposition to the manner in which the succession was handled. I said in that letter that had the constitution applied, democratic elections would have had a chance. However, I do accept Chadli's presence, first of all because, he is now in power and cannot be ignored, and, second, because he represents a kind of technical solution to save the country. But it is not enough for him to remain a technical solution. Instead, the tolerance policy which he has so far been following must continue."

Boumaaza adds, "I felt that Chadli introduced a different political climate into the country. So I decided to come back to re-establish direct relations with the daily life of the people and to take advantage of my presence there and have a dialogue with some of the men in power. There is a psychological dimension to my initiative. It did contribute to removing the psychological barriers between the two parties (the opposition and the government) while maintaining the difference [between them]."

[Question] What is your evaluation of the internal situation in Algeria?

[Answer] Algeria is experiencing a transitional stage, and, despite appearances, it is still weak. We must mention that it was because of the awareness and the maturity of the people and the ruling class that Boumediene's succession took place without any incidents to speak of as some observers had anticipated. But this must not make us dream because the basic problem remains: this is the problem of a difficult legacy. The attempt to understand the difficulties of this legacy is a patriotic initiative. On the other hand, it must be recognized that this legacy is extremely difficult and that it would not be possible to rule the country today in the same manner that was used in the past. In other words, I am saying--and this is what I said in my letter to the recent conference--that what characterized Boumediene's policy is the fact that it was a policy that Boumediene made for himself and that no other heir who succeeds him can wear the same suit that Boumediene had had custom tailored for himself. Instead, we must analyze 17 years of independence, and we must learn a lesson from the errors that were made.



[Question] What was the lesson that was learned after 17 years of independence? What is it in your opinion that has placed the Algerian Revolution on this dead end road?

[Answer] I can distinguish three major stages each of which, in its turn, hurt the course of the revolution. First, there was the major material and human loss that was left by the war of liberation. Then there was the attack that befell the moving force of the revolution after the political and non-political division that occurred in the command. Most of the people construed this division to be a personal difference over power. In time, this caused the popular base to shrink, and [this happened at a time] when we should have been working to expand it. Third, Boumediene became president and accused Ben Bella of exercising unilateral power and said that he (i.e., Boumediene) would expand the popular base so that all parties could participate. But we experienced the reverse of this: [we experienced] the shrinkage of the base during Boumediene's administration. In the Revolutionary Council that used to consist of 26 members (24 military men and 2 civilians: Bashir Boumaaza and Ali Mahsas) only 8 members remained. The rest were removed. The first blow was a material one; the second was moral; and the third was fatal. This is what happens when political practice is undemocratic: at conferences everybody agrees over the broad issues of socialism, of the Arab character, freedom, etc. But when the question becomes that of appointing leaders, the search for an interim solution begins in closed meetings away from the people. It is this that has led the people in indifference and has pushed the regime on to a dead end road. The difference here lies in the level of application and not in the broad issues.

Democracy...Democracy

[Question] What then is the solution?

[Answer] First of all, the democratic dialogue must be restored. A policy of exchanging accusations and insults is not beneficial. Only dialogue can be beneficial in a democratic climate. Second, we are to follow the correct democratic practices that are allowed by our institutions. The only thing the government has to do is enforce them. The problem is not that of people rallying around persons who happen to be in power, but it is rather that of people rallying around some basic problems that constitute the best factor for unity.

...And the Sahara

[Question] What do you think about the subject of the Sahara?

[Answer] My first opinion is that the question of the Sahara demonstrates the failure of the brotherhood policy in the Arab Maghreb. In the past this policy had united the peoples of the area in their struggle for independence against the colonialist. But how did the Sahara become an issue? This too is another product of the undemocratic practice of the government in Morocco and also in Algeria. It is the policy of what is called secret diplomacy.

This kind of diplomacy will lead us into a bloody confrontation, The question of the Sahara is also a manifestation of the failure to build the Northwest African unity that King Hasan II and Boumediene had applauded. As soon as he assumed power Boumediene had stated that he would not export the revolution but that he was ready to rebuild the Greater Maghreb on the level of the countries in question. When this failed and the situation between these countries became critical, Boumediene went back to saying that we would build the Maghreb of the people. This is the notion that was proposed at the 1964 conference during which Ben Bella had been elected president. (Boumaaza had been president of that conference.) From a historical perspective, the question of the Sahara goes back to the practices of King Mohamed V. The people of the Sahara had expressed their devotion to the king when the latter was sent into exile. But as soon as he returned, he dissolved the liberation army that consisted mostly of Sahara people, and he neglected the people of the Sahara so he would not disturb France and Spain.

As a result of this neglect, a special community feeling grew among the people of the Sahara. Then phosphate was discovered, and Morocco renewed its claims to the Sahara. Today, we are facing a community that gives the impression that it will not accept having others determine its destiny without its approval.

We must also not forget that "monkey business" in political practice did play its role also. In 1970 when the borders were drawn, King Hasan II stated, "The borders of Morocco are now those of Libya." Boumediene said, "We are drawing the borders today so that we can obliterate them in a better fashion." They disagreed overnight. As far as the Sahara is concerned, King Hasan II did make the following statement on 6/7/1978 to the magazine LE NOUVEL OBSERVATEUR: "In 1966, on the 10th anniversary of Morocco's independence, I met with the representative of the Spanish state, Mr Solez. It was at that time that I introduced the notion of the right of the Sahara people of the Rio de Oro to determine their own destiny in the United Nations." This was before phosphate was discovered. Today King Hasan II is denying the people of the Sahara the right to determine their own destiny. On the other hand, the rulers of Algeria are saying that when they defend the Sahara, they are defending one of their principles. But how can the rulers of Algeria today and here in the Sahara put this principle into action when they are supporting the Ethiopian regime against Eritrea which is also asking for the right to determine its own destiny.

Self-Determination

[Question] What is your position on self-determination in the Sahara?

[Answer] I find it absolutely essential. We have to support people [in their efforts] to determine their own destiny. But at the same time it seems to me that self-determination will not be enough towards achieving a final solution unless it is also accompanied by the approval of the parties

in question in the context of a vision that is larger than that of the Sahara problem. The purpose of this vision would be the establishment of some kind of stability and neighborliness among the three countries: Mauritania, Morocco and Algeria.

[Question] Do you believe that this community can determine its own destiny?

[Answer] This problem always surfaces when the right to self-determination is being investigated. Let us say that the people of the Sahara have an armed "elite," which is the POLISARIO, and that it is an apologist that we cannot ignore.

8592

CSO: 4402

IRAN

TEHRAN'S MANEUVERS IN GULF WORRY ARABS

Munich SUEDEDEUTSCHE ZEITUNG in German 27 Sep 79 p 4

[Report by Carl E. Buchalla: "Khomeyni Too Wants To Be Gendarme on Gulf-- No Less Than the Shah, the Ayatollah Advocates Iranian Claims to Regional Predominance"]

[Text] Cairo, 26 September--It is with unconcealed concern that the Arab oil states on the Persian-Arabian Gulf are watching the first major maneuvers of the Iranian Navy since the overthrow of the shah's regime. Since Sunday [23 September], 24 destroyers, frigates and guided-missile speedboats of the Iranians have been operating in the Gulf between Bandar Abbas and Khorramshahr, amphibian landings have been practiced with hovercraft and marines, and jet planes, fighter bombers and combat helicopters have engaged in combat maneuvers. The official purpose of the exercise is the protection of the central Iranian oil harbor on the Island of Kharg, via which all of Iran's export crude oil is pumped into tankers.

On the Arabian side of the Gulf this fresh demonstration of the military superiority of the Iranian Navy, affected least by the revolutionary turbulence, is being followed with mixed feelings. The shah already had shown off as "gendarme on the Gulf," in the opinion of the Arabs. Now the initially cautious support for the Islamic revolution in Iran on the part of the Arabs has cooled quickly since Ayatollah Khomeyni came to power owing to the agitation among the Shiites, emanating from Tehran, in the neighboring states of the Arab Gulf--predominantly inhabited by Sunnites--but primarily owing to the unconcealed Iranian claims to Bahrain. So the maneuvers of the Iranian Navy are being regarded less as a defense exercise against a possible aggressor than as a demonstration of military power intended to impress the Arabs.

The most violent reaction so far--not without reason--has come from Iraq. On the very day when the maneuvers began, the party organ AL-THAWRA in Baghdad warned the Iranian regime not to interfere in the internal affairs of the Arab Gulf states, since that would amount to "playing with fire." Iran, said the editorial, (considered to reflect the official opinion of the Iraqi Baath regime), was sending its agents into the neighboring Arab

states in order to instigate revolt, was occupying illegally three Arabian islands in the Gulf and provocatively was raising territorial demands vis-a-vis Bahrain. "The criminal hand stretching out for a piece of Arab land will be cut off with a sharp sword which will destroy any dreams of expansion and aggression," Baghdad warned.

It is not by chance that Baghdad is making these charges: appeals by the ayatollahs made in Tehran have in fact led to mass demonstrations by Iraqi Shiites against the Baath regime in Baghdad. And the three islands in the Gulf--Abu Mussa and the large and small Tumb islands--which belonged to the territory of the Arab Emirates were in fact annexed militarily by Iran in 1970. The ayatollah's regime has no intention whatever to return the shah's booty to the Arab brethren. On the contrary, the demands in Tehran for annexation of the Sultanate of Bahrain as well as becoming increasingly vociferous. Only recently did the Iranian Shiite leader Ayatollah Rouhani put forward his country's historical claims to Bahrain, inhabited by a strong minority of Shiite Persians--some already of the third or fourth generation.

Among this minority too, just as in the Shiite strongholds of Karbala and Najaf in Iraq, the appeals spread by Radio Tehran have fallen on fertile soil. Week before last, police proceeded with clubs and tear gas against several hundred demonstrators demanding stricter application of Islamic laws in the comparatively liberal Bahrain and carrying pictures of Khomeyni. Bahrain Minister of the Interior Sheikh Khalifa ibn Khalifa warned against a spilling over of the demonstrations, saying that they were indications of a connection between "certain activities" in various Gulf states. Should it come to a conflagration in one of the Gulf states, the fire would inescapably spread to all other states.

The incendiary agent for such a major fire on the edge of the oil fields is ready in all Arab Gulf states. It consists in the host of foreign workers from the poor provinces of Iran, from Baluchistan and Pakistan, who everywhere on the Gulf have reduced the native Arab population to a minority. Many of these foreign workers, who while making much more money on the Gulf than at home have nevertheless remained everywhere underprivileged third-class citizens, belong to the Shiite branch of Islam. The danger that the appeals of the zealot ayatollahs in Tehran may start a major conflagration is real.

The effects of the Iranian revolution, however, not only threaten the internal stability of the Arab Gulf states but have shaken the balance of forces in this region. While Saudi Arabia is trying to fill the power vacuum that has arisen through speeded armament, it will not be able to reach this objective before the mid-1980's, and until then will have to rely on U.S. assistance. The announcements in Washington of military intervention in the event of a threat to the supply of petroleum nevertheless are regarded on the Arab side less as an offer of brotherly aid than as a solid threat. Threatened by domestic political unrest and impelled by national rivalries, the Gulf states, rich in petroleum and poor in actual power, will continue to be a highly explosive source of crisis.

8790  
CSO: 4403

IRAN

EXPLOSIONS IN KHUZESTAN LINKED TO NAVAL MANEUVERS

Tehran ENQELAB-E ESLAMI in Persian 6 Oct 79 p 11

[Excerpts] Political Commentary on the Provinces: three people were killed and about 50 wounded in the tragic bomb explosion in the 'Seyf' Bazaar in Khorramshahr.

After a period of relative calm, Khorramshahr was attacked for a second time by counter revolutionaries. The counter-revolutionary attack began at a time when a group at the Islamic Revolutionary Court of Abadan and Khorramshahr was turned over to a firing squad. Seen among these executed were the counter-revolutionaries Sheikh Hamed Zawidat and his son, Ali Zawidat, who were important smugglers of arms into the area and Iraqi agents. During recent months, the Zawidats, in cooperation with the Iraqi government, smuggled 8,000 weapons into Iran from the Basrah Garrison to betray the ideals of the Moslem people.

According to statements of one of the authorities, the barbarous counter-revolutionary attack was not without connection with the maneuvers of the naval forces of the Islamic Republic of Iran because it coincided with the execution of the counter-revolutionaries which were also held at the same time as the naval maneuvers which, moreover, took place several days before the elections for the city council. The counter-revolutionaries wanted to accomplish their dirty purpose by killing innocent people and undermining the revolutionary nation, so while committing barbarism and terror they could prevent the elections for the city council.

The counter-revolutionaries started their dirty plans by exploding a bomb in the 'Sefai' Bazaar of Khorramshahr and then continued using a communications device to explode a bomb on the Khorramshahr-Tehran train. Today they planted a bomb in the 'Seyf' Bazaar which drenched in blood a number of innocent men, women, and children attending a public mourning session. The intensity of the explosion was such that it also damaged surrounding stores. The injured were immediately taken to hospitals in Khorramshahr by people [in the area] and after a few minutes crowds of the people of Khorramshahr gathered at the doors of their hospitals to give blood.

It is clear that when the decimated counter-revolutionaries decide to commit public terror against people who are united as Iranians and Moslems they will not refrain from any dirty action.

CSO: 4906

IRAN

## GUARDS TO STAY IN SERVICE

Tehran TEHRAN TIMES in English 27 Sep 79 p 1

[Article by Bahram Nourani]

[Text]

TEHRAN -- The Revolutionary Council has approved an independent budget for the Revolutionary Guards so that it could operate as a separate force, Kermanshah Governor General Sepehrpour told the TEHRAN TIMES yesterday.

The Kermanshah Governor General, who was received by Imam Rouhollah Khomeini Tuesday night for a briefing on the current state of affairs in the western Iranian province, said this measure would enable the Guards to acquire the necessary military equipment, including vehicles and helicopters, to improve their efficiency.

In the future, the governor general said, the Revolutionary Guards would not have to rely upon other government organizations or authorities "for every small thing."

Sepehrpour further revealed that a large number of Guards were undergoing training as soldiers and as commandoes and in a very short time they would be an "impressive force."

Paying tribute to the Guardsmen, the governor general said these "young people are fighting heart and soul for the success of the Iranian Revolution."

The Revolutionary Guards, he said, did not care for material comforts and went to the battlefield with the sole intention of killing the enemies of Islam. "This conduct deserves to be appreciated," he added.

Sepehrpour last night renewed charges against Iraq of interfering in Iran's internal affairs by sending large numbers of trained guerillas into Iran to undertake large-scale sabotage.

The Iraqis, he charged, enticed away large numbers of Iranians with their families by promising them lucrative jobs where they kept the women as hostages and sent the males back to Iran for destructive work.

Seldom was an unmarried person taken away by the Iraqis.

"We have no option but to continue a running battle with them and to defeat them," Sepehrpour said.

Another problem, the governor general said, which his province was facing was the shortage of spare parts and military equipment for the motorized units sent to the region.

In the past he said, the previous regime had signed

huge military purchases agreements most of which had not been cancelled. The scarcity of the spare parts, he added, was badly hampering the work of the forces in his province.

Sepehrpour said that although one's oil revenue had been allocated to his province he did not see how his province could make a good use of it because of a shortage of trained and skilled manpower.

Meanwhile, in a separate development the commander of the Revolutionary Guards in Mahabad said violence must be answered back with violence. Mere negotiation and talks were not sufficient, he said.

The commander revealed that members of the now disbanded Kurdish Democratic Party (KDP) were making hit-and-run attacks against the Revolutionary Guards almost every night. So far, he added, this had led to the death of several of his men.

Col. Akhiani said following these incidents the Guards had increased their vigilance and although the duty of maintenance of order in the city was vested in the Guards and the police, the Army was also trying to help.

CSO: 4920

IRAN

REVOLUTIONARY GUARDS GET SEPARATE BUDGET

Calcutta THE STATESMAN in English 29 Sep 79 p 5

[Text] Teheran, Sept 28--Iran's Revolutionary Council has strengthened the role of its Revolutionary Guard by granting it a separate budget and ending its dependence on the Army for weapons, reports AFP.

News of the adoption of a special budget was reported in the Teheran TIMES here yesterday.

The Governor-General of Kermanshah in western Iran, Mr Mohammad Sepehripur, said the budget would enable the Guard to acquire military equipment, vehicles and helicopters. Its equipment has till now been limited to lightweight weapons and armoured vehicles.

The Guards of "Pasdarvan" as they are known, are a reserve force of more than one million men. They take orders directly from the Revolutionary Council.

The guards, whose leaders are named by the council and whose numbers are kept secret, have been one source of friction, between the council and the Prime Minister, Mr Mehdi Bazargan's Government.

Earlier this week, Mr Bazargan said in a radio address that though the Government was "sole source of authority," problems remained owing to "excessive meddling in State affairs."

The guards, however, played a key role in the Government's drive to crush the recent rebellion in Kurdistan.

Mr Yousee Forutan, one of the seven Pasdaran leaders under the overall command of Mr Javad Mansuri, described the work of the guards in Kurdistan as one involving civilian and military tasks.

Training, which can last from one to six months, is undertaken by officers and other experienced people. The training is ideological, historical, religious and military.



Mr Forutan said relations between the guards and the regular Iranian Army were based on the fact that they were two separate bodies. Collaboration took place at Commander level.

The guards are not paid for their services, but each is given a gift of money based on his needs and not his rank. The gifts range from 25,000 rials (about \$312) a month to 60,000 rials (about \$750).

The main qualification for selection is faith--faith in Ayatollah Khomeini and faith in the Islamic revolution.

The guard was established throughout Iran "even in the most removed villages" and training centres were set up in the main towns so that reinforcements could be sent to any place at a moment's notice.

Former members of the Revolutionary Khomeini committees were among the guard's ranks, Mr Forutan said.

The guard's motto, which is displayed on the uniform, is "to oppose the (revolution's) enemies, you must gather together all your strength."

The uniform, olive green in Teheran, consists of anything from Army uniform to jeans outside the capital.

CSO: 4920

IRAN

REVIVAL OF THE NATIONAL OFFICERS ORGANIZATION

Tehran ETELA'AT in Persian 2 Sep 79 pp 1, 2

[Excerpt] The newspaper, ETTEHAD-E BOZORG, the organ of the Hezb-e Mellat-e Iran [Iranian Nation Party], reported that the Sazman-e Afsaran-e Melli [Organization of Nationalist Officers] has announced its reestablishment. Expanding on this information it reports the following:

Beginning in 1951 a number of officers joined together in support of the principles of the Iranian Nationalist Movement led by Dr Mohammad Mosaddeq. They sought fundamental changes in the structure of the army, its liberation from submission to personal leadership, and the practical reinforcing of the movement. They declared their existence under the title of SAM, which was an abbreviation for Sazman-e Artesh-e Melli [Organization of the National Military].

CSO: 4906

IRAN

ESFAHAN REFINERY TO BEGIN OPERATION IN TWO MONTHS

Tehran BAMDAD in Persian 10 Oct 79 p 14

[Text] The capacity of the first and second refineries in Esfahan will total 200,000 barrels of oil per day. One billion dollars has been spent on the [first] refinery.

The first refinery in Esfahan whose capacity is 100,000 barrels per day and which is the second in level of production will begin production in 2 months.

Engineer Mir Azimi, manager of the Esfahan Refinery, on announcing the matter said: In the first stage, this refinery will begin production with 70,000 barrels of oil a day, including liquid gas, super and regular gasoline, kerosene, diesel oil, fuel oil, and tar; and in a short time, its capacity will reach a final limit of 100,000 barrels per day.

The manager of the Esfahan Refinery added that the second Esfahan Refinery, to be built beside the first, will begin production 6 months after the first refinery and that after both are in production these Esfahan refineries will have a total capacity of 200,000 barrels of oil output per day.

The manager of the Esfahan Refinery pointed out that this refinery, after the Abadah Refinery, will be the second [largest] refinery with a capacity on the order of the Tehran Refinery. It cost \$1 billion which, due to world-wide inflation, exceeded the cost of the Tehran Refinery. At its final stage of operation it will have 1,050 engineers, technicians, and workers.

CSO: 4906

IRAN

PROJECT TO CONNECT IRAN WITH HIGH SEAS VIA VOLGA RIVER

Tehran ETELA'AT in Persian 25 Sep 79 pp 1, 14

[Text] Within the framework of the expansion of political and economic relations between Iran and the Soviet Union, Dr Mohammad Makri, Envoy of the Islamic Republic of Iran to the Soviet Union, has conceived a project on the basis of which Iran will be able to get access, via Volga River (situated in the Soviet Union), to the Black Sea and from there to the Mediterranean Sea. Dr Mohammad Makri discussed this project in a special interview accorded to the political reporter of ETELA'AT.

If this project were to be realized, Iran would be able, with the use of a joint shipping organization of Iran and the Soviet Union, to transport its goods, via Caspian Sea, Volga River and Black Sea, to the European countries and Northern Africa, and via the Straits of Gibraltar, to get also access to the high seas of the Atlantic.

In case of the implementation of this project through the agreement with the Soviet Union, Iran thereby would gain millions and even billions of rials, while the Soviet Union will also benefit, since the project envisions likewise the transit duties for the Soviet Union.

The Iranian Envoy to the Soviet Union, who apparently presented this project to the higher Soviet authorities, said: "This project will be a step toward a close cooperation between Iran and the Soviet Union and will affirm a tangible and practical friendship between both countries and promote cooperation beyond the stage of talk and diplomatic ceremonies."

Makri added: "Such a project may at first surprise the Soviet authorities, but if subjected to a careful study it will show that it could strengthen the friendship and neighborly relations between Iran and the Soviet Union. The project is such that it not only does accord with sound economic relations but it also shows good understanding and a deeper perception of equal positions of both countries in economic exchanges. This, on the other hand, requires the expansion and strengthening of a political relationship based upon the observance of independence and sovereignty of both countries."

The Envoy also said: "This is a special geographical situation in which only Iran and the Soviet Union can have this kind of cooperation."

In this special interview with the reporter of ETTELA'AT, Dr Makri also spoke of the present climate governing political relations between Iran and the Soviet Union. Makri stated: "As I perceive, the Soviet Union is not a colonialist and exploiter state. No doubt, they understand the position of our revolution. Iran has no intention to interfere in internal affairs of the Soviet Union." Makri pointed out that he believes that although strong Islamic moral and intellectual attitudes are widespread among the Moslems of the Soviet Union, the Soviet Moslems are a part of the community of the Soviet peoples and one should not interfere in their internal affairs. The friendship of Iran toward Soviet Moslems should lie within the framework of the friendship with the Soviet Union.

Speaking of the price of gas exported to the Soviet Union, Makri said: "We want this price to be increased and attain the level of international prices, and the difference to be calculated and be retroactive to the beginning of our revolution.

On the subject of the second gas pipeline, Makri stated: "We might reach an agreement with the Soviet Union." An he added: "We are not dogmatists. It is possible that one day our interests will require that we enter into negotiations. We are free agents. We have no obligation, and therefore we need more time to study the situation. Perhaps the experts will decide to leave the gas in its deposits for future generations. Maybe we will find more profitable ways for its use in our country."

1015  
CSO: 4906

IRAN

BRIEFS

PRODUCTION, SALE OF PORK BAN--Teheran, Oct 9--Iranian religious authorities issued an order yesterday banning the production and sale of pork, considered by Muslims as unclean, and said offenders would be punished, reports Reuter. An order signed by Hojatoleslam Amrollahi, head of the guild courts which regulate trade and prices, said inspectors would be sent to sausage factories to make sure pork was not used. Livestock farmers would no longer be allowed to sell their pork. Between 100 and 130 carcasses were previously delivered to sausage factories, mainly by Armenian Christian pig raisers. [Text] [Calcutta THE STATESMAN in English 10 Oct 79 p 12]

FEARFUL IRANIAN STUDENTS IN INDIA--Oct 5--Iranian students in India live in fear of the new Teheran regime's secret agents, who have said that those opposing the Islamic Government would be "liquidated." A group of students, representing the All-India Iranian Students' Association, said that an article in a magazine, published recently by students belonging to the pro-Ayatollah Khomeini group, contended that one of the three main duties of the country's students was to "expose the names of those working against the Islamic regime, so that action could be taken against them when they went back to Iran." [Text] [Calcutta THE STATESMAN in English 6 Oct 79 p 3]

CSO: 4920

ISRAEL

LABOR MK DISCUSSES NEGOTIATIONS WITH PLO

Caracas EL UNIVERSAL in Spanish 19 Sep 79 p 1-26

[Report of 18 September interview with Moshe Shahal, Labor Party member of the Knesset, by Mariahe Pabon: "Moshe Shahal: 'If Arafat Changes, We Are Prepared to Talk Directly Across the Conference Table'"]

[Text] The Palestine Liberation Organization [PLO] and the Palestinian National Council, attending the 66th Interparliamentary Conference--the first as delegates and the second as observers--both argued insistently that Israel has not the least intention of returning any occupied lands to Palestine and that, on the contrary, with the Camp David agreement it is sounding the call to battle.

Moshe Shahal, opposition party member of the Knesset under the present Israeli government, said, with reference to the PLO, that this organization is trying to carry on a permanent aggression against his country while casting it in the role of the destroyer.

"The position of my Labor Party is to reach an agreement on the solution of the Palestine problem, without loss to the Israeli State's integrity."

[Question] "The PLO asserts that the Camp David agreement is a war banner and that Israeli citizens are now being permitted to buy land on the West Bank of the Jordan and in the Gaza Strip. Is that true?"

[Answer] "It is not true. The Camp David agreement clearly says that 'after a period of 5 years the Palestinian inhabitants will have their autonomy.' The Palestinians will then have the lawful right to take part in decisions to build their future. The PLO declaration is a cover for their refusal to accept clauses 242 and 338 of the agreement, which provide for a peaceful solution."

[Question] "The Palestinian National Council affirms that Israel divided the Palestinians into three groups and then uprooted the last of them during the last war. Is that a correct assessment?"

[Answer] "First of all, the majority live on the West Bank, and in Gaza more than 60 percent of the Jordanians come from Palestine, because Jordan was the part called the Palestinian area. We believe the Palestinians who live in Gaza and the West Bank are entitled to their own representatives in talks. The Palestinian refugees can return to Gaza and the West Bank."

[Question] "Return to territories occupied by Israeli troops?"

[Answer] "They are being occupied for our security. I think Israel and all the Palestinian Arabs must commit themselves. Up to this moment, Israel has absorbed 850,000 refugees from Arab countries. I, myself, came from an Arab country as a refugee; I understand the problem; I am receptive to a solution. We need our security and we also want the perpetuation of Israel as a state."

[Question] "You ignore the PLO accusing it of being a terrorist organization."

[Answer] "The statement of principles on which it is founded reiterates that it seeks to destroy Israel. I stated in my speech before the Parliamentary Congress--and it was a most moderate speech--that we desire to establish a dialog with Palestinian leaders."

[Question] "Could Arafat be among those leaders?"

[Answer] "If he desires peace, we will talk with him. If he changes his attitude, we too will change ours. They must declare and recognize Israel as a state. Until now it has been impossible to meet."

Moshe Shahal recalled that 2 months ago the Austrian Chancellor acted as mediator for a possible settlement, but that Arafat refused to change his stance.

"Anyone seeking to talk with us must accept the rules of a change in attitude and of not holding Israel as an object of destruction."

I asked Moshe Shahal, a man identified as a progressive and dedicated to the achievement of a less unjust society, what he thought of the reports concerning the sale of arms by Israel to dictatorial countries. I asked him specifically about the case of Nicaragua and the sale of arms to former dictator Somoza.

[Answer] "Israel, at governmental level, explained this matter to the Sandinists and as far as I know those explanations were satisfactory. At the political party level, we are engaged in talks with Nicaragua to offer it technical and agricultural aid, which must be our aim. I do not believe we should export arms; we must export technology."

[Question] "What disagreements exist between your party and the Begin government?"



[Answer] "We have and maintain different attitudes on foreign policy and on the solution of the problems of the Middle East. In the matter of securing our boundaries, we advocate a territorial compromise involving the return of most of the occupied lands to the Palestinians."

Most calmly, Shahal expressed the view that leading roles played by third parties could hamper talks and did not exclude the notion that "we talk directly across the conference table.

"The Arabs want peace, we want peace. The majority of the people will make many concessions to achieve that peace."

[Question] "Ideologically speaking, do you think Israel is pursuing an ideal course?"

[Answer] "We believe our ideology is more correct than that of the present government and we recognize the fact that our society is a working and noble one. I am confident we will win the elections because we seek social changes; we seek a more socialist world."

Shahal is an Iraqi refugee (Baghdad) and for this reason speaks with authority about the Palestinian problem and about a solution that is not responsive to extremist viewpoints.

The Israeli Labor Party parliamentarian took part in almost every session, interrupting any delegate who spoke disparagingly of Israel. With the help of Nelson Bocaranda, we interviewed him during the recess of yesterday's session, which addressed programs of cooperation in educational matters. These are of interest to him and his party.

9399  
CSO: 3010

KUWAIT

NAVAL COMMANDER CONFIRMS INSTALLATION OF NEW NAVY BASE

Kuwait AL-QABAS in Arabic 18 Aug 79 p 5

[Interview with the commander of the Kuwaiti Navy, Captain Habib al-Mayyil, by Husayn 'Abd-al-Rahman]

[Text] The commander of the Kuwaiti Navy, Staff Captain Habib al-Mayyil, stated that intensive work is underway on the installations of the new navy base and that the first state of the huge project, involving 40 percent of the base installations, has been completed.

He added, during his first press interview, that he will assume command of and inaugurate the new base in early 1981.

Captain al-Mayyil said that Kuwait is working to diversify its sources of naval weaponry and to strengthen the navy with modern units equipped with the latest in electronic and navigational equipment for operation in the Gulf. He stressed that the supplier countries have placed no restrictions on Kuwait's right to use these weapons as it wishes under its own free will, particularly since the arms deals are concluded directly with the supplying countries with no third parties involved.

The commander of the navy added that Kuwaiti cadets and officers are now being trained in several sister Arab and friendly foreign countries. He said that they have shown a high degree of skill during the training and a marked ability to absorb lessons in command and operation of modern naval units.

He went on to say that some conscripts would be attached to the navy after completion of the naval base installations.

Captain al-Mayyil praised Gulf cooperation in maritime affairs and said that Gulf naval units are constantly exchanging visits, and that there are common refueling facilities and cooperation of all sorts.

The naval commander said that from a technical navy standpoint, the Straits of Formuz cannot be blocked by sinking one or two oil tankers because the water reaches a depth of up to 250 feet in this area and its narrowest width is no less than 27 nautical miles. However, he added that there are other, "military" ways by which navigation can be shut off in the straits.

#### Character of the Fleet

At the outset of the interview, Captain Habib al-Mayyil stressed that a naval fleet is to be considered one of the basic guarantees for the security and military strength of any country. He stated that this will continue to be true as long as ships are the best means to move large numbers of men and materiel across seas and oceans.

In certain instances, one country with no fleet can prevent the enemy from using the sea in a conflict, but in this circumstance it cannot be said that this country has sovereignty over the sea. This naval sovereignty does not imply preventing the enemy from using the sea, but it does mean that this country can use the sea whenever it so wishes.

Captain Habib al-Mayyil added that a fleet must fit the needs of each country, as these needs vary greatly from one country to another given their requirements, geographic locations and objectives. All these factors will determine the character of each country's fleet and naval units. The American fleet, for example, because of its extensive presence in the Atlantic and Pacific oceans, is designed for wideranging ocean warfare through reliance on large units and a naval strike force represented in aircraft carriers, destroyers, heavy cruisers and submarines.

At the same time, the fleets of the Mediterranean countries, for example, rely on destroyers, torpedo launches, submarines and rescue vessels, and are designed specifically for short-range naval operations.

#### Naval Strategy

Captain al-Mayyil said that all this was taken into consideration in the structure of the Kuwaiti Navy in line with Kuwait's location, needs and coastlines. All this was taken into account as well in drafting Kuwait's naval strategy.

He added that strategy does not mean war; rather in its narrowest definition it is "the art of military command" or the art of management and guidance of battles. It differs from tactics which involve the art of using troops and ships in combat. Strategy not only comprises ideas or plans laid down in time of war but is a plan or set of plans preceding war and in preparation for it and paving the way for battle or anticipated or probable battles. To define it more clearly, strategy is the overall use of the administration of warfare and its equipment to achieve the goal for which it was drafted.

Captain al-Mayyil stated that one could say that the primary duties falling on the shoulders of any navy are to guard merchant ships, to take part in military operations with air and ground forces, to establish naval blockades on the coastlines of the enemy, to carry out patrol duties, to engage the ships of the enemy and to participate in an overall plan to defend and secure its bases and to discover and sweep mines planted by enemy ships.

#### Training of Cadets and Officers

[Question] What steps have been taken so far in establishing and strengthening the Kuwaiti Navy and establishing the new naval base?

[Answer] Before responding to this question, I would like to say that a naval base is a training or supply center, or as strategists prefer to put it, "a focal point," and it performs two functions for the fleet, training and supply.

Since establishment of the Kuwaiti Navy, work has been underway to construct the naval base which will contain all necessary facilities for anchoring military vessels of various sizes and for the special maintenance facilities required by these ships, and work has been underway on building the necessary facilities to provide the best possible services to the ships.

A plan has also been prepared to establish the first nucleus and basic cadre of manpower to operate these ships by training men of all ranks on the various naval specialties needed by the navy. The training is being done in sister Arab and friendly countries. Also some local classes have been included to qualify personnel to assume the duties to which they will be assigned over and above supervision of operations at the naval base and operation of the ships.

#### Inauguration of the Base in 1981

[Question] When will construction of the naval base be completed?

[Answer] The fact is that construction of the base is being done in stages. The first stage is done. This stage is the major stage constituting 40 percent of the base, and includes: the docks, piers and equipment to raise the ships, launches and minesweepers. Over the next 2 years, we will complete the other stages, which include technical installations, administrative organizations and training operations for preparing personnel of all ranks to operate the base. We will take over the base in early 1981.

[Question] Is there any intention to establish a naval college in Kuwait to prepare Kuwaiti and Gulf cadets?

[Answer] A study has been prepared by the Ministry of Education on establishing a naval institute that could be the nucleus of a merchant marine academy. The Ministry of Defense and other quarters concerned took part in these studies and expressed willingness to render actual assistance in setting up the curricula and training programs and providing advice and expertise.

With regard to training Kuwaiti cadets and officers, our training policy is based on sending cadets and officers of various ranks to sister Arab and friendly foreign countries to qualify as combat and technical naval officers. Several batches of officer cadets and personnel have been sent abroad for naval training.

#### Diversification of Arms Sources

[Question] To what extent has the Kuwaiti Navy been supplied with arms, and have the sources of these arms been diversified or are they coming from one country?

[Answer] The fact is that we are always working to improve the navy. Studies are being done on bids submitted by friendly countries for supplying the Kuwaiti Navy with its needs for various ships and launches equipped with all the necessary weapons and equipment.

We certainly always take into consideration diversifying the sources of these arms, and have taken care to select advanced weapons outfitted with the latest equipment and electronic hardware which is compatible with the conditions of the area and the waters of the Arab Gulf. We will study these bids and select the arms and naval units with no preconditions, and we will have complete freedom in employing them. Furthermore, we are working with the supplier countries directly with no third parties involved.

#### Gulf Facilities

[Question] What are the parameters and specific characteristics of Gulf and Arab cooperation in military naval affairs?

[Answer] The fact is that the countries of the Gulf are famous for their nature as maritime countries with a long maritime history. They began some time ago to improve their navies and to diversify their sources of arms. There is close cooperation among the countries of the Arab Gulf for development of their naval forces, and there is coordination in joint operations and mutual consultations besides exchanges of visits of naval units.

Also the countries of the Gulf provide us with all possible naval facilities and help in overcoming any difficulties encountered by any naval unit. They also refuel our ships. This means that there is close and mutual cooperation among the countries of the region in this sphere. Many ships and launches of the Gulf countries visit Kuwaiti ports from time to time.

#### Interest on the Part of Kuwaiti Youth

[Question] How much interest have Kuwaiti young men shown in enlisting in the Kuwaiti Navy, and are there specific prerequisites for accepting them in the navy?

[Answer] There is high interest among Kuwaiti youth in enlisting in the navy.

We have sent them abroad in groups to train in various naval specialities.

For officers the prerequisites for enlistment in the navy require that the applicant be a Kuwaiti national, hold a general secondary certificate (scientific section), be in good health, and be not less than 17 and of good character. With regard to prerequisites for acceptance of enlisted personnel, they fall into two categories, technicians and seamen. For technicians, the applicant must have attained the intermediate fourth class or higher, be a Kuwaiti national and be not less than 17 years old.

The other administrative category can take persons who have attained the first intermediate class or higher. Graduates of the industrial college, such as engineers, can be accepted with the understanding that they will complete their studies at the technological institute and graduate as technical officers and then be sent abroad for study in naval operations, each according to his specialty.

#### Skills in Training

[Question] How well have Kuwaiti youth been able to absorb lessons in command and operation of modern naval units?

[Answer] The fact is that they have been able to absorb these lessons very skillfully. It makes us proud to hear officials in friendly countries who oversee the training of Kuwaiti Naval officers tell us that they have sensed a high level of performance and a noticeable ability to comprehend. They have successfully handled naval units with the same skill demonstrated by officers of these countries.

By way of mentioning skills, I was visiting a country where Kuwaiti Naval officers are training on naval units, and a commander there praised how proficient the officers were in naval affairs and how capable they were in commanding naval units.

#### Conscripts

[Question] Will conscripts be permitted to join the navy?

[Answer] Conscripts will be allowed to join the navy when construction of the naval base is completed and housing facilities are completed, not to mention the arrival of naval units.

[Question] To what extent will the navy play its role in protecting the many Kuwaiti islands?

[Answer] The goal of any naval force is to assert the presence of the state, to protect its territorial waters, to preserve its sovereignty over its territory and resources and to protect its merchant fleet.

The Kuwaiti islands are an indivisible part of Kuwaiti territory, and the navy's mission is to defend and protect them. However, the Coast Guard is currently performing watch and patrol duties for these islands. In the future, guarding these islands will fall within the responsibilities of the navy.

[Question] Will Kuwait use Arab and foreign experts in naval affairs?

[Answer] The naval base is viewed as a major, vital project, and in its facilities we will have to use experts who have a lot of knowhow in the field of constructing bases and supervising the installation of equipment. We are currently using a small number of experts from friendly countries to supervise the stages of construction of the naval base. Their job will end with completion of the base project, whereupon Kuwaitis will take over the responsibility for running it.

The Straits of Hormuz

[Question] From a purely technical naval standpoint, can the Straits of Hormuz in fact be blocked by sinking a ship or oil tanker in it, or will the water depth and the geography of the strait prevent that?

[Answer] A lot of people are now talking about the issue of blocking the Straits of Hormuz, and they think the straits could easily be closed to navigation by sinking a tanker. However, if we study the geographic considerations, we find that the distance between the Iranian coast and the Arab coast at the narrowest point from the island of Masandam to the Iranian coast to the east is about 30 nautical miles. Also the depth in that area is about 250 feet and the average draft of the largest oil tankers runs from 65 to 90 feet.

Also, there is a narrower stretch of 27 nautical miles located north of the island of Masandam and the Iranian island of Lark to the north at the Ra's Sharitah point.

However, it has been established that if one or more tankers were sunk, the site of the sinking could be avoided and navigation could continue. So, the straits cannot be blocked in this way.

Moreover, a sunken tanker could be blown up and turned into pieces of steel so as to avoid collisions with it.

However, all these naval facts do not mean that it is impossible to block the Straits of Hormuz. Military experts in the naval field could block the straits easily and cheaply, and it would be difficult to reopen it easily for navigation. Most military men are aware of this method, which would be more effective than sinking oil tankers.

8389  
CSO: 4802



SAUDI ARABIA

COMPREHENSIVE MANPOWER PLANNING POLICY URGED

Jiddah SAUDI BUSINESS in English 12 Oct 79 pp 10-11

[Article by Nasr Muhammad al-Qarawi: "Sorting Out the Manpower Mess"]

[Text]

The manpower crisis is still one of the most serious problems facing Saudi Arabia. It is an economic and social problem, and it is the direct result of the Kingdom's moving to a high point in its civilization.

Over the past two years the crisis reached its peak, but this year it has assumed a certain stability. It was a result of various pressures, some imaginary and some the work of certain people taking advantage of the situation for their own large profit. They were draining businessmen of money.

There was a rumor, for example, that we have a manpower shortage. People say we have an equation of supply and demand that is out of balance.

I do not believe that supply and demand imbalance was the only cause of the manpower crisis in Saudi Arabia. It was one of the reasons wage rates went up, but it was not the only one. There were other factors which either led to or paved the way for the wage explosion of 1976 to 1977. In 1978 the rises were less steep.

At the beginning of 1979, things started righting themselves. First the rate of increase slowed, and then wages began to fall. All other things being equal, they will fall further.

Everyone says we have large numbers of foreign workers here. It is simply not

true. But although people quote imaginary and unrealistic figures, we still have the manpower crisis.

There are other Arabs working here, brought in by both public and private sectors, but there are not that many of them.

The point is that they are not regulated, and there is false unemployment. You can see them sitting on pavements, in teashops or in the souks. They are workers who refuse work except for the pay they demand, even though they may not get another job for some time.

You can see it in the usual places, like the "workers' market," where many of them gather in search of a job. They go unemployed because they demand too high rates. It means joblessness, and it does unnecessary harm to the local economy.

Some people might argue that the government should set wage rates to stop that sort of greed and unfairness to our people. Others might argue that fixed rates will give justice to both sides.

I disagree. Setting all sorts of different rates and levels does not make economic sense. It cannot replace the equation of supply and demand. Nor is it practical. Rates vary not only in the Kingdom or in any developing country but also in the industrialized countries. There are too many grades of experts, qualified per-

sonnel, half-experts and the inexperienced.

The Saudi economy took a great leap in 1974, after the 1973 oil price rises, and people's incomes rose. This led to a greater demand for manpower, but no one regulated its supply. And that is what caused the manpower crisis.

Let us look at the problem to identify its roots. The first thing to notice is the economic aspect — too much money coming too quickly to ordinary people. They invested their money, concentrating on labor-intensive construction. It was in real estate dealings that the Saudi citizen suffered, because of the high price of both building materials and construction. There was confusion when every individual began to be hit by the shortage of accommodation, and people turned to building their own houses through loans from the Real Estate Development Fund or with their own capital.

That economic factor was followed or accompanied by burgeoning government spending on huge projects. It was a burden on the local economy and it caused a sharp rise in inflation, which reached 33 per cent in the first years of the Second Five-year Plan.

The government introduced its anti-inflation policy when rentals reached the peak of a rise that took them from 170 per cent to 300 per cent of the 1974 figure in the following year alone.

Rents are stabilizing, but they are still high. They will stay high if the government does not tackle the problem comprehensively and on studied principles.

I do not believe that the answer lies in importing more foreign workers, a possible cause of further instability. Instead, the government should set fundamental and permanent rules for dealing with the import of foreign labor and for dealing with Saudi labor. I believe the weaknesses of the established systems for training Saudis must be the major reason we have a manpower crisis.

The government's policy on training is

not well thought-out. We must have an emphasis on a career for everyone. We only began our development recently, and although we need people qualified in broad fields, we need far more specialized and expert hands.

If you look at plans for training and its spread across the Kingdom, you can see contradictions in strategy. Look at basic training, in technical institutes.

The Ministry of Labor and Social Affairs has done a lot, but it must still guide the career of every citizen make him enjoy his work. There has been no serious research into that.

It would have been possible in the past, when the Kingdom was suffering from the manpower crisis in both public and private sectors, but no long term strategy was developed with the Planning Ministry and the universities.

In its historic transformation, its opening itself without hesitation or shame to progress, Saudi society emphasized skills. In recent years that has been evident to a degree not anticipated in either the second or the third development Plan. Both town and country people have been training in skills, especially in 1976.

But not so much in 1977 and 1978. It is sad that neither the Ministries of Labor and Social Affairs nor Education, and not even the Ministry of Planning, made any serious effort to examine why not, scientifically and through thorough reports. So people have become less and less interested in training for a career. In those days it was still possible to attract people in large numbers, if only they had been told that specialization in a career is one of the ways to a respectable income.

If facilities for local training go on expanding as they ought, the manpower problem will be solved as if it had never been. Wages will go down across the board, possibly even to half what they are nowadays.

Glance at what the state offers. More than one government department is carrying out training programs for its own employees or for certain people.

It is a wide range, but as things stand now it is not enough, and it will never be. Why young Saudis do not sign up for these programs is because of the great economic leap forward. They choose easy and quick money that does no long term good. Of course, those who go to vocational training centers will certainly do better than those working without a career, but that is only in the long term.

The lack of financial incentives for graduates of training centers has contributed to the disillusionment. Crown Prince Fahd's recent order to increase to SR100,000 the loans available to graduating trainees (to set up in their trades) may bring back the old confidence, but the decision took a long time. That delay and the factors mentioned above will still prevent people coming in sufficient numbers to training, and so the manpower problem continues.

The situation will continue if a complete and comprehensive policy is not adopted for training the Kingdom's manpower and redeploying it, in the curricula of vocational training, in their distribution or in the moral preparedness and the desire of Saudi youth to enroll in them. There is a need, too, to eliminate the anarchy and false unemployment in the labor market. Neither will go away by itself; the authorities must act.

One of the hardest jobs the Interior Ministry has is the problem of foreign labor. It has spared no effort in getting to grips with it. Not long ago, it was the ministry's hardest task.

Hundreds of thousands of foreigners were needed from all over the world to work on the increasing volume of government projects. The Interior Ministry made several detailed studies on manpower importing, although it was the responsibility of the Ministry of Labor and Social affairs.

The Labor Ministry should have opened branch offices in every region. Failing that, it should have put its men in the Alien's Department. Then it could gradually have taken over responsibility for foreigners.

Look at the Aliens' Department in Riyadh. It is not as smart as when it was opened. The chaos in which applications are processed, the cramped space and the lack of basic amenities are the direct result of the critical position of the Interior Ministry.

It will be the same if branches of the department are not opened in other areas. The Labor Ministry's responsibility is clear. Had it opened offices before, it would have decreased the pressure on the head office and at the same time have relieved the public of the trouble of going to Riyadh, and helped its staff, too.

CSO: 4820

SAUDI ARABIA

## FOREIGN WORKFORCE ESTIMATES RELEASED

Jiddah ARAB NEWS in English 13 Oct 79 p 3

[Article by Timothy Sisley: "Three-fourths of Workforce Foreign"]

[Text]

JEDDAH, Oct. 12 — Approximately three-quarters of the work force in Saudi Arabia is foreign, according to estimates by officials.

Ahmad Hamad Al-Yahya, the director-general of the Western Region's Main Labor Office here, says that the Ministry of Labor and Social Affairs has no exact figures on the size of the labor force in the Kingdom or its composition by nationality.

But he estimates that there are something over two million people at work, and between 70 and 75 per cent of them are non-Saudi Arabian.

That compares with the Second Five-year Plan's projection for 1980 of a Saudi workforce of 1,518,000 beside 812,600 pairs of foreign hands.

In an interview published in *Saudi Business* Saturday, Yahya attributes part of the responsibility for that distortion to the greatly expanded opportunities for education available to the young.

There are now six universities in the Kingdom, with more places than in vocational training centers, and Yahya says the younger

generation is coming to put an increasing reliance on higher education for its own sake: "Not a pleasing tendency."

"With every year of development," Yahya says, "we have to create new jobs, in greater quantity than can be filled by education and training."

The authorities are "now pleased that, since education and training programs are very active and expanding, we will achieve our goal and overtake the number of new vacancies."

He says that a high proportion of the places available in the ministry's vocational training centers are being filled. It is a "very encouraging program."

But the scheme is nonetheless "still behind target." Of the nine skills on offer, no one has applied for courses in metalwork, masonry or tailoring.

"The problem is we have a lack of trainees," although once people enrol in the centers the drop-out rate is low and subsequent work performance encouraging.

Yahya says that the Kingdom's labor needs will grow for the foreseeable future, but labor imports

will not. The end of the Second Plan will bring a decline in imports for construction, and the young Saudis who went on to higher study instead of entering the workforce over the past five years will increasingly be returning to employment.

On the other hand the establishment of industry and a greater reliance on maintenance will demand that workers be brought in. The workforce will expand, but Saudis will be a growing proportion of it.

Yemenis, from both north and south, are thought to make up the largest non-Saudi group in the workforce. Official North Yemeni figures run as high as two million, but a better estimate, derived from a Swiss census in North Yemen, puts the figure nearer 600,000. Egyptians are thought to follow, with a possible 250,000. Pakistanis are the third largest group, with 200,000 here according to the Pakistani embassy.

The British embassy says it has 20,000 or 25,000 people here, the American 20,000. There are 80,000 Koreans, and between 60,000 and 70,000 Filipinos.

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SAUDI ARABIA

BRIEFS

BIRTHS NOTED--Riyadh, Oct. 6--Fifteen thousand seven hundred and seventy three babies were born in the first half of this year in the Central Region, of whom 11,600 were Saudi. Saudi boys accounted for 6,200, or 53.2 percent. Foreign boys accounted for 2,127, or 51.7 percent. The total number of births exceeds that of the corresponding period last year by 3,458, of whom 2,438 were Saudi. The increase was owing to the natural increase in population as well as a growing tendency to register births in the area. [Text] [Jiddah ARAB NEWS in English 7 Oct 79 p 2]

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YEMEN ARAB REPUBLIC

WORKER REMITTANCES HELP, HINDER ECONOMIC DEVELOPMENT

Jiddah SAUDI BUSINESS in English 12 Oct 79 pp 20-27

[Article by James Buchan]

[Text] North Yemen, which has seen its northern neighbors grow into wealth and influence through oil, often thinks of itself in the same terms.

Despite unspectacular results from prospecting operations in the Tihama coastal strip and offshore and on the edge of the Empty Quarter, many Yemenis believe their country will one day be an exporter of oil. The minister of state responsible for oil, Ahmad Kaid Barakat, is much more measured in his hopes — partly because he had just put out an international tender for 14,000 barrels a day of crude products for 1980.

“ We are talking of a probable occurrence of oil in the east. We are hoping,” he said in Sanaa last week.

But the Yemenis are right in thinking in terms of oil, since the economy of the Yemen Arab Republic — and its development — is fired by the revenues of its oil-producing neighbors.

Just as Bahrain has developed into a service center for its gushing neighbors, so Yemen has seen unprecedented economic expansion from the earnings of its only significant export — manpower. The earnings of Yemeni workers in the true oil states, and most importantly Saudi Arabia, have fuelled what Barakat calls “ the chaotic boom in the YAR.”

These remittances, much of which bypass the state's coffers, have meant

that, despite massive budget and trade deficits, North Yemen consistently enjoyed a surplus on its balance of payments from 1971 up to March of this year. In planning terms, the private sector is expected to exceed its share in total investments of \$ 3.6 billion in Yemen's ambitious Five-Year Plan, now in its third year, according to a senior official of the Central Planning Organization.

What no minister or official will admit in his office in the morning, he will in the more relaxed atmosphere of his mufraj in the afternoon. The fact is that for the foreseeable future, the health of the Yemen economy and the momentum of development will depend on the rate at which the Saudi Government decides to spend Saudi oil revenues. The implications of this dependence, in terms of the debate over planning cooperation on the Peninsula and the raw question of relations with Aden, are scarcely attractive to the independent-minded Yemenis.

This dependence was shown in the period immediately after the invasion of the southeastern YAR by its Marxist-Leninist neighbor in Aden. According to Omar Bazara, director of the Foreign Department of the Central Bank, a drying-up in remittances caused a balance of payments deficit of over \$ 17 million for the March-June quarter. They have picked up again, he says, but at a decelerating pace.

Accompanied by what one banker called a "massive capital flight" from inside the country, the failure in confidence — coupled with recent government anti-inflation legislation — has caused what may amount to a crisis of liquidity in the private sector.

What happened in the south to reverse the fortunes of a country that enjoyed remittances of \$ 1.4 billion, and a balance-of-payments surplus of \$ 350 million in fiscal 1978-1979, according to World Bank and Central Bank figures?

Now that the dust has settled, military observers in Sanaa will give an account of the events of February and March. On February 19, South Yemeni armored forces, backed by Soviet and Cuban officers in resupply and logistics roles, punched a hole in the border around the two of Qataba. Aden's intention, North Yemeni politicians believe, was to precipitate uprisings against the government of Col. Ali Abdullah Saleh in Sanaa and other areas.

The immediate military goal appears to have been limited to cutting communications on the road between Sanaa and the garrisons in Taiz and the southwest.

For a number of reasons, this goal was not reached. The South Yemeni tanks did not progress outside the area covered by long-range artillery support from South Yemen and not a shell landed on the road. Except in the activities of the Jabha, the National Democratic Front, in Dhamar Province and the southeast, the uprisings did not materialize.

North Yemeni officials frankly admit the government was taken by surprise. At first, only local YAR militias were deployed against the South Yemeni armor. Counter-attacks were set in motion from Marib, Taiz and the north but this was not before the beginning of March, when a large-scale Arab diplomatic effort was already in motion.

Saudi Arabia provided help for an air-lift of U.S. arms and material as a show of support, while the Arab League

and individual Arab countries — hemmed in by a desperate need to maintain Arab unity in the face of the Camp David developments — goaded the two Yemens into a ceasefire and talks on unity. A posse of 85 Arab League observers were in the YAR by mid-March.

The progress of the unity talks in Kuwait, which are now somewhat on ice, did nothing to restore business confidence, a leading Taiz merchant said. Equally important, in terms of Yemeni overseas earnings, was the concern in the military and government at Yemen's defenses.

Such government intervention is causing great anxiety to ordinary Yemenis. It is not simply that they wish to earn more in Saudi Arabia. They can't earn much more. But they can save, because life is cheaper in Yemen. If any ordinary Yemeni wishes to get a well dug for his family, or get married (bride prices are as high as the SR100,000 quoted in the neighboring Asir), he must come to Saudi Arabia.

Two weeks ago, the People's Assembly agreed on a national conscription plan — the terms of which had earlier been published in the semi-official "Al-Thawra" newspaper. Passports would no longer be issued to young men of military age — which is also the age for emigration.

Most Yemeni officials and members of the aid community accept the reduced figures for both the population and emigrants posited in the Final Report of the team from the Swiss Technical Cooperation Office carried out since 1975. In effect, it is considered unwise to suggest a population over 5.5 million and emigrants over 800,000 — with 600,000 commonly accepted as the minimum number of Yemenis working in Saudi Arabia.

If the draft is effective — and a first induction of 2,000 young men swamped the induction center in Sanaa, according to military observers — the volume of remittances is likely to remain fairly sta-

tic in real terms, whatever Saudi spending plans. Yemeni inflation is of the order of 30-35 per cent in the estimation of Citibank, although the Central Bank believes it is under 30 per cent.

It is highly unlikely that the consumer spending fuelled by the remittances will naturally hold level. Much of it is already going on such luxuries as radios, stereos and qat, according to the Taiz merchant. In large terms, bankers argue that the key indicator is not the size of Yemen's net foreign assets — of which Yemeni officials are justly proud — but at the sharp decline in the rate of increase. The increase was \$ 467 million in fiscal 1976-1977, but dropped to \$ 385 million in 1977-1978 and to \$ 118 million in the last fiscal year that ended on June 30.

Add to that what the Yemen Oil and Minerals Corporation (Yominco) estimates as a 60 per cent increase in the cost of its Kuwaiti oil products, and the outlook for that bizarre and attractive character — the YAR economy might appear bleak.

Both merchants and bankers are agreed that the short-term outlook is not good, and foreign companies have proved reluctant to enter the market. Inflation operates with different intensity in different sectors, with rates of 200 per cent a year mentioned as the impact of remittances on rent. But it is in labor costs that the effect of large-scale emigration is most felt.

Muhammad Abu Saeed Anham, nephew of Yemen's largest merchant, describes the major losses his uncle's construction business incurred on the first phase of the Sanaa water project, awarded in 1975 on a fixed-price basis. "Day rates were 10 Yemeni riyals when we started, and we wrote an increase to YR15 into our assessment of the three-year contract."

By 1978, the massive drain on skilled and unskilled labor was being felt in day rates of YR60. They have now broken through YR100 — equal to Saudi day

rates — although the Yemen government continues to prefer fixed-price contracts.

Another large merchant, Muhammad Saif Thabet, was unable to fulfill commitments on the construction of new headquarters for the Central Bank — the present bank sits over a machinery dealership. The case is still under dispute, for which Yemen lacks adequate legal machinery, bankers say. Meanwhile, the bank has adopted the Saudi solution of introducing Koreans, in this case Jung Woo Const., to complete the job with their own labor.

In an effort to control inflation, the Yemen government has taken IMF advice. It has abandoned its policy of laissez-faire and has imposed a ceiling of 10 per cent on bank lending. On the grounds that there is too much credit floating around Sanaa, the Central Bank has discouraged new banks from opening there. The British Bank of the Middle East, with branches in Taiz and Hodeida, has not been permitted to open in the capital.

The moves are extremely unpopular with bankers. Obligated to borrow abroad at higher rates — 13 ½ per cent is the U.S. prime — they have all but ceased lending on the negative spread. "Most banks are not making any money at all," a Citibank official said. The problem is compounded in that most Yemeni merchants, because of the poor communications, like to do business on extended credit.

The Yemen Bank for Reconstruction and Development actually went on television this month to call for local currency deposits — at 10 per cent.

The Central Bank has also taken the step of making it harder for Yemenis to transfer sums abroad. They must now fill out forms requesting the transfer as a first move in recording the outflow.

But bankers and merchants disagree on the extent of the liquidity problem. Some Western bankers believe that the



majority of remittances "sleep" and that the Central Bank should not worry about the money supply as a factor in inflation, but should print more money to keep economic activity ticking over. This is not the Central Bank's attitude; Bazara points with pride to a downturn in the rise in M3. Most merchants categorically reject the mattress-and-sock theory and they claim much economic activity is directly related to remittances — private house construction, the impressive road-clearing and minor works of the 150 cooperative Local Development Associations and the increase in consumption of everything from wheat to radios.

The stagnation in net foreign assets at the Central Bank cannot be entirely ascribed to drawdowns for capital purchases and military expenditure. After all, the Kingdom is financing the F-5 program and the \$ 400 million of U.S. weaponry, part of which was rushed in during the war.

It is quite clear — and this is supported by money-changers in the Kingdom — that many of the Yemeni workers here are either hoarding their Saudi riyals or dollars, or making direct purchases with them.

Against the background of lower increases in foreign assets, bankers are right in claiming the Yemen government missed a golden opportunity to "go to the market" over the Yemenia loan.

The Yemen Airways Corporation, a profit-making organization 49 per cent owned by Saudia, abandoned its intention of going to international markets for a \$ 75 million loan to buy four Boeing 747s. The case is interesting since it is a bridge that one day even Saudi Arabia may have to cross, according to Jeddah financial analysts.

Yemenia, in the end, got the money from the state which hardly looks a good idea when the March fighting and aftermath are making major demands on government spending. But this was not before negotiations with the Ex-Im

Bank of the United States and the Bahrain market. Yemenia sought concessional terms off Ex-Im Bank — which it rarely gives — and the Yemen government shilly-shallied over guarantees, according to bankers. Presumably all parties wanted a Saudi government guarantee, but if this was forthcoming, Yemenia did not use it. "They are still locked into the idea of free money," a banker said in reference to the easy terms available to Yemen from the Saudi Fund for Development, the Kuwait Fund and the IDA. So easy are these terms that Yemen's debt-service ratio is still a comfortable 1 per cent. Over half of Yemen's aid is in grants.

But the Yemenis may have to go back to the market, and they are unlikely to find such a "good" instrument to test bankers' responses and to establish the Yemeni risk as they had at one point with Yemenia.

The credit squeeze would not matter so much if the government had more money. Of course, the government has the Arab and international aid commitments but, nearly half of this is for projects — and CPO officials bewail the length of time needed by feasibility studies and disbursements. The five major wadi irrigation projects tentatively set for the Plan are still under study, though work on Wadis Mawr and Rima should start this year, according to the CPO.

Times have changed since the period of Imam Yahya, a time remembered with affection by most Yemenis. In the 1930s, an English observer watched the Imam at government:

"All around the Imam, on the floor, lay piles of paper of every shape and size. He was dealing with these swiftly, signing or writing a word or two on some. At one point a servant entered carrying a number of silver dollars in a wooden tray; after this had been shown to the King, the coins were shot into a pile on the floor."

In fact, the taxation system has

decayed since the time of the Imam, according to an English aid specialist engaged in studying local Zakat records. Zakat, of which more than half goes to the LDAs is not enforced while the 10 per cent tax on profits for companies is even more lax, according to the Taiz merchant.

With taxation making up less than a tenth of government income, customs duties have come to be the main source of government revenue. These accounted for more than three-quarters of revenue in the January-to-March quarter.

Companies working on development projects may import equipment free, but everyone else must pay high rates — up to 57 per cent for motor vehicles. The government is losing about 20 per cent of the excise on imports through smuggling, according to Central Bank officials.

A senior Yemeni official, who asked not to be identified, expressed irritation at a recent statement by Saudi Commerce Minister Dr. Soliman A. Solaim who claimed that “smuggling of Saudi food to neighboring countries shows how low food prices are in the Kingdom.”

The Saudi government is blamed by both Yemeni officials and merchants for its policy of subsidies. Anham, for example, says that the Saudi subsidy on cooking oil has meant that his Yemen Company for Ghee and Soap has consistently run at a loss. Barakat says that even Petroleum oil products are smuggled in trucks, and pump prices definitely are a third lower in Saada. The discerning smoker bargains for his Saudi Rothmans, since they do not carry the Yemen government tax stamp.

It seems silly to blame the Saudi government, since it also is suffering and it is extremely doubtful the border could be policed properly from either side. Yemen government tempers are high because the new Saudi fodder subsidy is cutting deeply into import duties on sorghum and other grains and must eventually damage Yemeni agriculture.

It can work both ways. The Saudi government has banned flour imports, but because its own milling capacity for grain fell short this spring, there was a shortage of flour. Jeddah merchants managed to

get approval for temporary flour imports, but not before the Yemeni merchants had made a killing with Hodeida flour.

To expand the sources of national revenue was one of the major platforms of the plan, alongside the crucial needs of improving living standards, curbing the inflationary effect of remittances and making the country easier to govern by the laying of basic infrastructure. In looking at the achievements of the plan — magnificent by any standards — CPO officials point out the marked differences with the Saudi Plan.

“In Saudi Arabia, you have the cake and it is just cut up in allocations to various sectors,” an official said. “In Yemen, the cake does not exist except in the form of commitments and inflow trends.”

Of total commitments of rather over \$1.3 billion from aid donors (including \$300 million in project aid from Iraq announced last week), the government has now disbursed around \$500 million. In the first two years of the Plan, the government has managed to meet its investment targets while the private sector has exceeded its own share. The respective shares were 33.8 per cent and 28.3 per cent, while the new mixed sector (16.3 per cent) and the LDAs (6.9 per cent) were given important roles.

The plan set a number of other ambitious targets. An annual growth rate of 8.2 per cent in Gross Domestic Product and a nine-fold increase in gross fixed capital investment (to \$1.2 billion by 1980/1981) are the most spectacular.

A program of import substitution for food is now recognized as highly unrealistic. Ninety per cent of Yemenis live in the country, where the system of terraced agriculture has excited the admiration of every visitor. But World Bank figures show little growth in subsistence agriculture this decade, except in the recovery from the drought years of 1969-1973. The figures for the agricultural input to the GDP actually show a 6 per cent decrease in the first year of the Plan, while agricultural exports — cotton, hides and skins and the famous coffee — are declining rapidly in value. Exports, of which these made up the bulk, declined from \$7 million in fiscal

1977-1978 to \$5 million last year. Imports increased from \$834 million to \$960 million in the period.

Yemen, which provided grain for the Desert War that ended at Alamein in 1943, imported 30,000 tons of wheat last year.

A major restraint is financial, the CPO says. Officials point out that the plan is entirely flexible with government projects already scrapped or relegated to a lower priority. The plan, while it has fixed investment goals unlike the Three Year Development Program that preceded it, "nevertheless is regarded as a basis, not an end in itself." Despite the poor response in agriculture, Yemen has succeeded in improving supply in a country prone to famine through improvements in roads, ports and storage handled by the General Grain Corporation. Food prices cannot, however, be fixed successfully, officials admit.

Yemen, just like the Asir, could substantially improve agricultural output, even though money is short and rain unpredictable. The chief problem is manpower. The vast majority of emigrants hail from rural areas, according to the Swiss survey. This has the beneficial effect of at least spreading the Saudi-based prosperity, but has meant a continuous drain on young men needed to farm. Other effects, the deterioration of terraces and the turning over of coffee acreage to the higher-yielding qat, are rather overstated by the World Bank and other outside analysts, officials claim.

In its 1979 "country study" for Yemen, the World Bank suggests that the planners made a "critical assumption" that emigration could be reversed.

Although there is emphasis in the Plan on capital-intensive industry as a solution until educational reform becomes effective, the assumption remains broadly true. "With the completion of a new manpower survey, we hope to keep a stricter hold on emigration," an official said. The fact is that if this happens, it will be because of the draft law and the national security anxieties: the benefit to

the labor force will not be felt now. And control of emigration must involve short-term losses in investment.

The phenomenon of Yemeni emigration is as old as time. But in the modern era, Yemen has regularly exported workers to communities in East Africa, the docks of Cardiff and Detroit and the steelworks of Sheffield and Pittsburgh; a Yemeni community grew up in Vietnam, presumably through recruitment into the Foreign Legion in Djibouti and service in the French wars. These modest numbers grew to a multitude when the oil bubble burst in 1973-1974: by fiscal 1975-1976, the Central Bank reckoned remittances were \$525 million.

Of late there has been some reverse. Immigration has occurred from the troubled areas of East Africa, although Yemenis long domiciled there complain of trouble in being accepted. Apart from South Korea, workers are being imported from Pakistan and India — Anham's construction joint venture is now "A to Z staffed by Indians" — so that the Central Bank now publishes a net figure for remittances. Last year, remittance outflows were \$300 million.

With 25 per cent of the labor force abroad, the manpower shortage is felt across the board. In the civil service, the World Bank estimates that there are some 1,400 empty jobs. Of course, civil servants must be given more competitive salaries to keep them not only in the government but in the country; but here the government runs into the financial constraint.

The manpower shortage also acts as a formidable curb on industry. Of the 100,000 new workers which the Plan proposes if targets are to be met, about 80 per cent are for industry and services. But both officials and merchants claim that the high wages required and the low level of skills make industrialization doubly difficult after the usual Third World problems — the necessity to import and to start from scratch and a small market — are taken into account.

The government, in order to spur the

economy, formed a number of public and semi-public corporations in the early 1970s. Apart from Yemania and the importing and distributing company now absorbed into Yominco, none of the national companies for salt, cigarettes, cotton or cement was a great success.

The Salif salt company was shutdown for five years, but has just reopened with its first commercial contract with Spain. Capacity has been raised to a theoretical one million tons and Barakat is hopeful that other orders for the high-quality salt will follow. But the National Tobacco Company in Marib spent 12 years combating low output, poor management and large losses without managing to penetrate the local market. It has now been hived off to majority private ownership, with Rothmans handling the management.

The government cotton operations, hit by the decline in world prices, have consistently seen reduced output. Anham, whose family comes from Hogariya, pioneered "the extra profits available from industry" with other returned Adenis in 1970. His nephew says that the private sector will still invest in small plant for the local market — PVC pipe, polythene bags for qat, tanneries, soft drinks and food are produced by Anham; Thabet is producing ice cream and milk products. But few of these plants require investment over \$1.5 million.

The government welcomes joint ventures and offers the usual five-year tax holiday. But foreign companies are proving coy. "The market is too risky and the returns are too small to justify the risks," one banker said. In contracting, sloppy bidding procedure, changes in specifications and tribal harassment of workers and pilfering — as well as wage inflation — are heavy discouragements, according to a British contractor.

The Plan's greatest success has been in infrastructure, both to improve government control of remote areas and to

tackle the supply bottlenecks causing inflation — the root cause, which is remittances, must be accepted as fact.

In this area, the government has managed to lay down the basis of a road network and to make substantial increases in port capacity. Waiting times of up to 180 days during the consumer boom last year have been reduced at Hodeida to a week. The congestion largely solved itself since it appears to have been the result of merchant over-ordering. But a pontoon berth was opened north of Hodeida, and three new berths due to be completed with Kuwaiti money at the main port will streamline offloading.

The long-term constraints — manpower shortages and excessive dependence on emigration for revenue — look much more daunting. In seeking other sources of national income, the petroleum and minerals picture still requires detail. It is suggested that a Texas company, Petrostock International, may be awarded a concession in the east. Yet there are still outstanding problems. The 1934 border arrangement, which ended the war between Saudi Arabia and Yemen, expired in 1974. Whatever understandings may or may not have been reached between the two governments in that year, they have certainly been repudiated by successive regimes in Sanaa. The talk in Sanaa is of a third neutral zone for Arabia.

Although foreigners have been looking for oil in Yemen since the 1920s, Barakat is right in saying "the investigation has not been serious up to now." However, Deutsche Shell is continuing tests in the Tihama. Typically, the Salif salt deposits were found in 1962 by oil drillers.

In mining, nothing has yet been found in commercial quantities. Copper and associated minerals have been found in a "promising area" at Hamura in the south. They are being investigated by Romanians and Chinese. The French

BRGM is being brought in to examine the Rada-Marib-Bayda area "which has shown it could be interesting." The West Germans are working on iron ore deposits near Saada and in the south east. Yominco is keen to find other foreign companies.

The thrust of Yominco's effort has been the creation of petroleum products and LPG storage to meet the 25-30 per cent annual increase in domestic consumption. Over 210,000 tons is to be added over the next two years while a land distribution system is to be launched as a "stop-gap" until pipelines can be laid. A refinery is still considered unfeasible, Barakat said.

In approaching the manpower problem, many younger officials are aware of the great danger facing the whole Peninsula—the creation of physical structures that cannot be peopled. While pointing to great strides in secondary education and to the 3,000 students now at Sanaa's nine-year-old university, these officials argue for a slower pace of government-funded development and a greater concentration on institutional improvements.

This position, which is advocated in the World Bank's country study, seems unlikely to be accepted in preference to more spectacular improvements in infrastructure and, of course, basic services. ✕

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YEMEN ARAB REPUBLIC

BRIEFS

CEMENT FACTORY--Two Japanese firms are to build a cement factory with an annual capacity of 500,000 tons at Amran in North Yemen, the companies announced last week. Ishikawajima-Harima Heavy Industries Company and Nissho-Iwai Company said they had won a contract for the plant worth 25 billion (\$113.7 million). Payment for the plant, scheduled for completion next year, will be deferred, the consortium said. [Text]  
[Paris AL-NAHAR ARAB REPORT & MEMO in English 8 Oct 79 p 14]

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