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Near East/North Africa Report

(FOUO 11/81)



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INTER-ARAB AFFAIRS

ARAB INVESTMENT POLICY CRITICIZED

Paris AL-WATAN AL-'ARABI in Arabic 23-29 Jan 81 pp 43-46

[Article: "Exclusive Report for AL-WATAN AL-'ARABI: This Is How Arab Funds Escape Abroad"]

[Text] What is the volume of Arab investment in real estate in Europe and the United States?

The assimilation of Arab funds in the homeland requires radical changes in economic and financial policies. How can we make up for the continuous drain on the oil wells?

AL-WATAN AL-'ARABI has obtained a significant economic document that was recently prepared by the Arab League about the flight of Arab funds abroad. The document deals with this phenomenon in figures; it deals with its magnitude and its future repercussions. The study suggests that the assimilation of Arab funds in the homeland is one of the necessary solutions for facing the challenges of the future among which is the depletion of the oil. The document also reviews Arab investments abroad: in Europe and in the United States; it reviews the prospects of these investments and the dangers that will ensue from them. The study suggests numerous solutions for encouraging investments in Arab countries in lieu of investing the oil returns in the West especially.

The text of the document follows.

One of the most significant recent developments in the field of oil is that which placed all the countries of the Arab homeland without exception--those that produce oil as well as those who do not--on a single road for which there was no alternative. All these countries will be facing a new situation wherein the responsibility and the results will be shared. It will shortly become clear how the various Arab states--those that have a surplus of funds and those that have a dire need for those funds--will have to fall in line and enter the scene of common action simultaneously. This is based on the fact that those same Arab capital funds will find themselves faced with one alternative which in itself represents a real challenge that will knock on all Arab doors and open them. In order to clarify this statement, this paper will attempt in what follows to reveal the course that Arab funds may follow in international investments before the matter comes to the challenge. The paper will also afterwards identify the areas that will have to be penetrated.

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Total investments in the world made by the OPEC countries by the end of 1978 amounted to about 168 billion dollars. From this sum the investments of the Arab countries were estimated to be approximately 140 billion dollars. The following table indicates the approximate distribution of OPEC's investments by the end of 1973. The table clearly indicates that investments made in international money markets and also in the local money markets of the industrial countries, and especially the United States, constituted the greater and the more significant sphere for containing the surplus oil funds [that were designated] for investment abroad.

The Estimated Distribution of OPEC's Investments by the End of 1978 (in billions of dollars)

| | Billion Dollars |
|--|-----------------|
| Financial investments in international markets | 60 billion |
| Financial investments and direct investments in the United States | 42 |
| Financial investments and direct investments in other industrial countries | 32 |
| Loans and aid to Third World countries | 18 |
| Loans to other countries (including eastern countries) | 4 |
| Financial contributions to international development organizations | <u>12</u> |
| Total | 168 |

There is no doubt that money markets abroad provide the oil countries with varied opportunities for making profitable investments. But these opportunities are tied to a number of restraints that are inherent in the activity of these markets. To find out the reality of this matter, it is necessary to follow briefly the existing conditions in these markets regarding financial investments and also the existing potential in foreign markets to realize direct productive investments.

Financial Investments in International Markets

International markets are relatively recent markets whose history goes back to the mid-sixties. What is intended here are those debts that are supported by international currencies and issued by governments and organizations of various nationalities. They are distinguished by the fact that they are not subject to the supervision of the monetary or fiscal authorities of any one of the countries. These markets are "a free financial zone" whose sphere of business is located outside the borders of states. The credit instruments that are represented by these markets vary from short-term to mid-term and to long-term. International bank certificates of deposit that are backed by the dollar represent the most important short-term tools. The international bank lending market represents the foundation of the mid-term instrument, whereas international bonds represent the long-term aspect of these markets. Since the aforementioned instruments are all exempt from taxes to reduce profits and from restrictions on currency conversion, they have been attracting the attention of international investors among whom are Arab investors.

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By observing the conditions of these markets one may conclude that their capacity remains limited, especially with regard to mid-term and long-term investments. In this regard the following facts appear [evident]:

1. According to the latest statistics the existing volume of international certificates of deposit that are backed by the dollar, and these are by nature short-term notes, does not exceed 27 billion dollars. It is also evident that these certificates are quickly affected by what happens in international dollar markets, in particular, and in the interest rate structure on international currencies in general. Accordingly, these certificates have to be adjusted continuously to stay in step with the developments that take place in these two areas. It is also no secret that the pillar of investment in these notes is based on sufficient confidence in the stability of the U.S. dollar or in the expectation that its value will increase. This makes it impossible to build a stable investment course on these certificates, not to mention the fact that the scope of this market is basically narrow and that it is not suitable for long-term investments.
2. The international bank loan market or the international currency market, which played a prominent role in financing the major deficits in the balance of payments of the industrial and developing countries, has less ability to grow now and, consequently, less ability to absorb oil funds. In addition to the cautious selection methods that now and then prevail in those markets and limit the scope of their business, there is a principal obstacle that basically limits their direction. This obstacle manifests itself in the tight capital foundations of the international banks that do business in those markets. These banks have become so saturated that it is no longer easy to borrow and then to lend more oil funds. The lending limits to which these banks can go on the basis of current capital rules have reached in some cases disturbing proportions. Since the expansion of the aforementioned foundations is not possible in the light of existing circumstances in the international stock markets, it becomes unlikely that this market will continue to absorb more oil funds at the same previous rates.
3. The value of existing issues in the international bond market approaches 85 billion dollars. It is important to note here in particular that in addition to the tightness of this market, the dollar is still the principal currency of issue in it. This fact also makes investment in this market affected by the fluctuations in the value of the dollar. This market is also fundamentally influenced by the developments in the interest rates which are generally short-term. This market has also been suffering quite early from a basic inadequacy that leaves evident negative results on its growth prospects. This is the inability of its secondary markets to keep up with the issue activities in the international market. The absence of this group that is professionally and financially qualified to assume the functions of dealing in international bonds and creating the markets that are necessary for them is noticeable.

Financial Investments in Foreign Markets

It is understood that compared to international markets local foreign markets are distinguished by their breadth and their depth. At first, this makes them more capable than they are to absorb foreign investments and exchanges of various notes

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of indebtedness, considering the liquidity that is guaranteed by their secondary markets. Also the presence of governmental organizations that support the borrowing organizations during crises gives the foreign investor a measure of assurance about the safety of the debt. To some extent, this represents an alternative to what international markets offer the foreign investor in the way of security that stems from the fact that they are free financial zones in the manner already mentioned.

But one of the most distinguishing [characteristics] of local foreign markets is that investment in them is in fact subject to national supervision by the fiscal and monetary authorities of the countries in question. In other words foreign investments always remain subject to legislation enacted by the authorities or to the rules and measures they impose. In fact measures to freeze or to confiscate funds are no longer unlikely in the aforementioned markets.

Hence one must not be surprised when an observer finds that despite the vast capacity of these markets, they did not succeed in attracting the necessary amount of oil funds. In fact they did not achieve in this regard what the international markets achieved despite the essential inadequacies from which the latter markets suffer in the manner shown above.

Investments in International Real Estate Markets

Real estate investments are especially attractive to Arab investors insofar as they do not require much management and professional experience in the way that other investments require. Nevertheless, and contrary to the prevailing belief in numerous Arab circles, the opportunities that are available to make profitable real estate investments outside the Arab region are in fact quite limited.

Actually, there is no real estate investment market in the known sense of the term, but there are numerous small markets that are divided and that develop quickly in a manner that would not allow an investigator to keep up with them with the required precision. It is also impossible to make accurate quantitative estimates about the volume of these markets; even if an attempt were made to list the value of first class commercial real estate in the principal cities. This is the real estate that is considered most attractive to Arab investors. One may find an indication of the tightness of these markets by noting the volume of annual business [transacted] in them. It has been found that business in the investment real estate market varies from 1 to 1.5 billion dollars a year in European cities and that it is almost the same in the United States. It is also noteworthy that the best real estate is presently owned by western corporations, such as insurance companies, retirement funds and others. It is known that these corporations refrain from liquidating their real estate investments unless the temptations to sell are quite considerable. It has been noted that the real estate activity of investors is still concentrated on commercial real estate and that the trend to invest in land is still secondary despite the broad prospects that such investments may achieve.

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Investment in International Stock Markets

There is no doubt that part of Arab funds will be directed to international stock markets for two basic purposes: to diversify the components of investors' investment portfolio and to look for high returns.

If at first the markets appear to have a tremendous capacity to absorb Arab funds, careful scrutiny of this matter will show that in practice the markets are much tighter than they seem to be. Despite the fact that the market value of the assets of the principal stock markets in the world approach about 1,200 billion dollars, these estimates decline to less than half that amount with regard to their suitability to investment operations. When we surmise about what will be available for investment, it becomes evident that these markets will not absorb more than 60 billion dollars. There is another example also: whereas the total market value of the shares in circulation in the U.S. market amounts to approximately 628 billion dollars, the ratio of U.S. stock that Arab funds can acquire--without being subject to the provisions of Paragraph 13 D of the U.S. Stocks and Bonds Law for 1943* and taking into consideration the fact that there is a minimum required for acquiring capital in U.S. companies that are likely prospects for investment**--does not exceed 2.8 percent of the total value of U.S. stock in circulation; that is, approximately 17.8 billion dollars.

It is evident that, regarding stock exchanges in general, a number of matters must be taken into consideration, such as the financial conditions of the companies in question whose stock is being circulated, the liquidity of this stock, the good quality of the stock [and its ability] to attract possible investors, and also the legal and technical restrictions that are contained therein or that are included in the laws that regulate the business of these markets.

Direct Investment Outside the Arab Homeland

In general, direct investments have recently been receiving increasing attention from the various oil exporting countries due to the relative protection they provide against the dangers of inflation. Direct investment is simply the ownership of a long-term productive investment asset.

This kind of investment assumes numerous forms in accordance with a number of considerations. Some of these considerations pertain to the investor himself, whereas others are related to the economic and legislative conditions that exist in the host country. Without going into many details, the principal forms of this investment are as follows:

* According to this paragraph, every investor who owns more than 5 percent of the issued stock has to register with the competent authorities. In this case numerous provisions and restrictions apply, especially with regard to the method of selling the shares and trading in them.

** The minimum market value required for companies that are likely prospects for investment [consideration] has been considered to be 500 million dollars.

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- * Full ownership of an existing project.
- * The creation of a completely new project.
- * Participating with others in the creation of a new project.
- * Owning a share in an existing project.

Each one of these forms has its advantages and its dangers. Accordingly, choosing one of these forms is a matter that is controlled not only by the investor's wishes, but there is also a number of factors that influence this choice in a fundamental way.

It need not be said that this kind of investment represents the kind that would most likely fulfill the requirements of Arab investment strategy insofar as it is the form of investment that is most capable of containing the destructive effects inflation produces on the value of financial assets. In this case the assets in which the Arab funds are invested are productive assets and not merely debts that others are liable for.

It would seem at first that direct Arab investments regard the industrially advanced countries to be the most suitable locations for making new direct investments. However, the practical facts do not arouse much optimism in this regard. Actually, the advanced countries are still legally and psychologically unprepared or unwilling to accept direct investments in their territories of the magnitude that Arab funds can and are being called upon to mobilize for this purpose. In an attempt to keep track of the total obstacles that limit the capabilities for the development of direct investments, it becomes evident that the following group of obstacles deserve special mention. They are aimed at the investor's freedom to pursue the following:

1. To purchase a significant share that would give him power in an existing company.
2. To sell his share in an existing company.
3. To transfer funds to a specific country for the purpose of making a direct investment in accordance with Paragraph 1 above.
4. To transfer funds from a specific country as a result of the sale of his share according to Paragraph 2 above.
5. To transfer funds from and to a specific country for the purpose of lending or borrowing to make a direct investment.
6. To transfer profits, taxes, interest or service fees realized from a direct investment.
7. To supervise a particular company by means of appointing certain persons to its management regardless of their nationality, or [to effect such supervision] through any other means.

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8. To issue shares in the money market of the country where the investment takes place.

Despite the fact that various officials in the advanced countries are candidly admitting the important role played by the flow of direct foreign investments in solving a set of similar economic problems, what has been seen in practice suggests that the flow of foreign investments will be made to assume specific forms and that direct investments will either come under some supervision or will be channeled into locations that may not be consistent with the aspirations and the interests of Arab investors.

Thus it becomes evident that the considerations that make the advanced countries the most suitable locations for making direct Arab investments on a reasonable scale do in practice lose much of their value. In fact, there are no indications that existing restrictions on direct Arab investments will not be developed further so as to make them even more severe and more complex.

After this quick and brief review of the capabilities of the most important investment markets outside the Arab area, we can record a number of results or facts.

First, there is no doubt that foreign investment markets with their various tools, modes and locations will absorb a concrete portion of Arab funds. However, this will fall short of the levels that Arab funds are expected to reach.

Second, the existing and anticipated opportunity for making direct Arab investments is in fact not open, especially with regard to those countries where Arab funds are supposed to strive to acquire productive assets.

Third, the existing structure of Arab investments abroad cannot achieve, accordingly, the Arab investment strategy that is represented in [the effort to] find other sources of income to serve as a substitute for oil. The existing structure of Arab investments abroad serves the goals that are comprised in the refinancing projects rather well. These projects favor keeping Arab funds as a financing source to be utilized to cover the deficits in the current accounts of advanced countries. This investment structure is also being exposed to serious dangers as a result of the world inflation on the one hand, and of the continuing instability in the values of currencies, on the other.

Fourth, the only opportunity that Arab oil exporting countries have for redistributing their investments in a reasonable way in the interests of productive investments lies almost exclusively in making their investments, as much as that is possible and as quickly as possible, in their homeland within the Arab area itself. In this regard emotional and patriotic considerations that are implied herein do have now strong, objective, scientific support that imbues them with sound economic logic. In fact these considerations have now taken a back seat to considerations that are purely economic. In other words, it may be said that Arab oil exporting countries have "a strategic interest" in pursuing inside the Arab region broad scale-investment activities with which they can complement their foreign investment activity on the basis of the fact that the latter [investment activity] does not achieve this strategic interest for them. On the contrary it

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eludes this interest, and hence, the effort made by the Arab oil exporting countries to reinforce their investment efforts inside the Arab region by various means is considered strategically justifiable and necessary. The statement that the Arab capacity to absorb these funds is limited has become in itself a strong reason for developing that market after it had been an excuse for fleeing it.

Requirements for the Assimilation of Arab Funds in the Homeland

The capacity [of Arab investment markets] to absorb Arab funds is to be increased, and although this is not the place for a discussion about the Arab capacity to absorb funds, the limitations of that capacity, the ways of measuring it and other such matters that are usually discussed in economics literature and academic efforts that deal with such matters, it would be appropriate to make a number of observations in this regard.

* The Arab capacity to absorb funds is not static; it is dynamic, and its activity is increasing constantly whenever any of its economic, technical or human obstacles are surmounted.

* The total capacity of the Arab states to absorb Arab funds exceeds the aggregate figures of the individual capacities of these states.

* Whereas the limited capacity to absorb funds tends to have a negative effect on an investment decision, a decision to invest does represent a significant positive factor in the capacity to absorb funds.

* The notion of the Arab capacity to absorb funds is construed here in the broad sense, and thus it differs from what is applied in economic and financial circles abroad. Whereas these circles concur that the capacity to absorb funds represents "the value of the total investment opportunities that can be utilized successfully within a specific period," in the Arab economy [this definition] must go beyond the word, "opportunities," and the term, "successfully." The [relevant] standard here is need and not opportunity. The projects whose creation is being called for may not always have a rewarding and an immediate commercial return. No one is unaware of the tremendous volume of investments in infrastructure projects that are needed by numerous countries of the Arab homeland.

Other Requirements for the Assimilation of Arab Funds in the Arab Homeland

On the other hand the assimilation of Arab funds in the Arab homeland not only calls for, but also prescribes the introduction into the Arab homeland of radical and significant changes that include the modes of investment and financing. These changes also include economic and financial policies as well as other existing legislation in this regard. In addition, quantitative and qualitative changes are to be introduced into the current avenues of credit and investment. This is because the assimilation of Arab funds in the homeland will naturally cause a simultaneous fundamental change in the commodity production market and in the factors of production.

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As far as the production of goods is concerned, the nature of Arab funds--as large as they are--is such that it would require and would make possible the establishment of a series of projects or industries which by their very nature require large capitals. Such projects require that consumer markets be guaranteed so that these products can be sold outside the regional borders of the project itself. This in itself will be a factor that will directly destroy those barriers that limit the expansion of the market; it also represents one of the practical aspects for developing the Arab capacity to absorb funds. It is evident that great care will be exercised in the aforementioned projects to ensure that the market has sufficient scope for their products so that these projects can benefit from the large-scale economics with the numerous savings that reduce the cost of production.

There is no doubt that the proliferation of major projects and various production activities in the Arab homeland will further the ties of production among these projects. It will also increase existing and latent opportunities for investment in the Arab economy, and it will attract a series of long-term investment initiatives. In this case the expansion of the market--which is one of the aspects of growth in the capacity to absorb funds--will play a prominent role in the continuation of this growth.

On the other hand the assimilation of Arab funds in the aforementioned manner will make it incumbent upon the various parties to provide a suitable climate for investment that would provide an adequate measure of benefits, terms and exemptions to encourage the flow of investments to the Arab money markets, and this is what we will now discuss.

Arab Money Markets

Anticipated trends indicate that the coming years will place the Arab region face to face with a major challenge to which hitherto it has not been accustomed. On the one hand we find that the Arab countries that are principal producers of oil will continue to accumulate huge monetary funds even after they meet the financing requirements for local development. It is inevitable that these resources will be invested to generate a permanent source of income, considering that the oil resource is depletable. On the other hand, financial and foreign resources will continue to play a principal role in encouraging the development and investment capacities of the other Arab countries and in bringing about the success of their efforts to improve their citizens' standard of living.

Hence the major challenge that the Arab region will face lies in following a long-term investment strategy that would achieve in a practical sense a deep-rooted congruence between the interests of all the oil producing Arab countries and the Arab countries that need capital. This matter requires intense efforts to overcome the obstacles that limit the capacity of the Arab region to assimilate new investments that are generated by capital and oil funds. [When we speak of] the capacity to assimilate funds in this regard, we mean the ability to use the financial aid that is available in addition to the ability to attract financing that is offered on competitive, commercial bases through Arab money markets. Thus, existing investment procedures in the Arab region can join comparable procedures that exist

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outside the area, or they can compete with them in attracting Arab financial resources that are available for investment. Such a view does in fact make the role of Arab financial mediation an important one with regard to the effort to assimilate funds in the homeland and, accordingly, increase the volume and the effectiveness of the flow of private and public capital into the Arab region.

In recent years Arab governments that have funds have made increasing efforts to direct part of their financial resources to the Arab countries that need them. This was basically manifested in the development efforts of Arab official organizations and development corporations. It was also manifested in the efforts to increase the volume of direct government loans, aids and grants to support development projects, to alleviate some of the difficulties that are the result of a shortage of foreign currencies or to finance some of these countries' basic imports.

With regard to the flow of capital into the area on a commercial and a private basis, available data indicate that this flow remains limited. Organizational factors and economic policies in numerous Arab countries are considered responsible for this, and, accordingly, it is not curious to find that most of the activity of private capital in the region has continued to assume until the early seventies the form of transfers sent to their country by citizens working outside their country.

One of the most prominent indicators of the fact that the financial flow of funds into the region on a commercial basis is limited may be the increasing volume of loans that have taken place and that are still taking place in the interests of Arab lenders (governments and private organizations) through international money markets. These are either Arab loans made through international bonds or through international bank loans. This observation in itself is enough to indicate the existence of a real shortage in the process of mediation between those for whom liquidity is available and those who are actually creating the demand for financial liquidity through the Arab money markets and in a purely commercial standard.

Available statistics indicate that the volume of actual borrowing executed in the interest of Arab borrowers in the international bond market between 1972 and 1978 in the form of public issues and private offers amounted to about 1.5 billion dollars. Algeria headed the list of Arabs who borrowed through international bonds. Algeria alone borrowed 1.2 billion dollars or about 80 percent of the original sum. In fact Algeria has anticipated the various developing countries in general in going to the international bond market as a borrower since 1972. It is known that the international bond market is considered one of the more advanced international markets that is usually entered only by countries and corporations whose financial posture is good and are acceptable to international investors, and especially individual international investors.

Available data also indicate that between 1971 and 1978 the volume of public and private Arab loans in the international bank loan market--these are loans with floating interest and are in the form of collective bank loans--amounted to 14.5 billion dollars. These loans were financing specific projects, and they were financing deficits in the balances of payments and in the regular and development

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budgets. It is noteworthy that this figure includes only those loans that have been announced. The banks guard the detailed conditions of many of the loans granted in this market with some secrecy. They do not announce those conditions; sometimes this is according to the wishes of the borrower himself. Accordingly, the actual figure for the total volume of Arab borrowing from the international bank loan market in the period we are referring to may not be less than 15 billion dollars.

Thus total Arab borrowing--public and private--from international money markets from 1971 to 1978 amounted to approximately 16.5 billion dollars. This is in addition to the other international sources of capital that are generally available, especially in the form of credit terms offered by suppliers and also short-term financing whose figures would be difficult to determine because it is not possible to obtain statistics in this regard. The anticipated trends indicate that these borrowings are escalating. It may be useful to point out here that the increased Arab borrowing from the international money market in recent years has in fact represented a course that is consistent with the different Third World countries whose borrowings from international markets have increased considerably in general, and especially after oil prices were corrected in 1973.

International money markets have in fact not only ensured the long-term needs of Arab borrowers, but they have also ensured the suitable investment outlets for a significant portion of the accumulated surplus Arab funds, as has already been mentioned. This is due to the multiplicity and the variety of investment terms and marketing benefits that these markets can offer.

Thus it becomes clearly evident that the Arab region has seen an actual commercial demand for mid-term and long-term borrowing. This is undoubtedly one of the indicators of the Arab capacity to absorb funds. This demand has been growing steadily, and financing it has been ensured through the international money markets. These markets are still ensuring this demand for loans in larger volumes. In return, the Arab oil exporting countries have amassed huge financial resources after 1973, most of which were invested in the numerous outlets of the international money market and also in the local money markets abroad. This matter does undoubtedly point to a real inadequacy in the commercial flow of funds among the Arab countries. It also points to the weak presence of an Arab money market or markets that would mediate between those who have the funds and those with the actual commercial demand for longer-term funds. This weakness exists despite the capabilities that are available and the growing need to ensure this mediation to achieve a financial balance in the Arab region as a whole.

Foreign Arab Investment in the Eighties

The rates at which Arab financial funds are being amassed, as these are indicated by future trends, make it necessary now more than any other time in the past, that a serious search be made into the ideal method for disposing of these funds and into devising suitable investment plans and strategies. Because of the latent importance of this matter we must always be aware of the real proportions of a number of principal elements included in the task of planning foreign investments. This is because investment prospects, standards and priorities do not in fact

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assume a specific form that remains constant or that is suitable for application in all cases. These change with the nature of the investment, the nature of the investor and the nature of the invested capital, as well as the financial and direct investment and even non-investment developments that are available in foreign markets. It is also essential to remain continuously informed about the total proportions of the investment effort since this is the only guarantee that such an effort would be in good order, realistic and hence sound. Investing in a specific location, in a specific form or for a specific period of time is in fact an alternative to another investment in another location and for another period of time.

The investment of Arab funds will face numerous choices and prospects with regard to the location, the nature, the form or the duration of the investment. However, the multiplicity of choices and prospects does not necessarily mean that these choices and prospects will be enough to absorb the expected volumes of funds with the efficiency and soundness that is hoped for, but [rather] it primarily means that these choices and prospects are varied and that they consequently include a large number of technical and non-technical considerations. Accordingly, making an investment choice will sometimes be a delicate matter, and other times it will be difficult. It is this that may in practice shrink these choices and radically limit their practical worth.

If the period between 1974 and 1978 saw the onset of the accumulation of oil funds to the point when these funds reached approximately 168 billion dollars by the end of 1978 for all the OPEC countries, future indicators--based on recent and expected increases in oil prices and also the world conditions of supply and demand for oil at present and in the future--point to the fact that the accumulation [of funds] will take place at rates that are higher than those of the next few years. In this regard it is expected that accumulated OPEC funds will rise to 90 billion dollars by the end of 1980 and that the sum total of these funds will come to 308 billion dollars by the end of this year.

Expectations for the years after 1980 indicate that the cumulative trend for these funds, most of which are Arab, will continue at least at the same previous rates. It is thus expected that by the end of 1982 total OPEC funds will amount to over 450 billion dollars and to over 550 billion dollars by the end of 1985.

In view of this expected accumulation of funds in the eighties, the need to draw up new and suitable strategic plans for investing these funds is now no less important than the need for any other plans devised by the Arab nation for its short-term, mid-term or long-term future. It has become necessary to assimilate in the homeland significant portions of these financial funds in the seventies. From now on this cooperation will become a historical necessity that will thrust itself on the various locations of the Arab economy both with regard to those countries that have a surplus or those that have a dire need for those funds. Whereas it will become clearer for those who have funds that prospects for safe and profitable investments outside the Arab homeland will remain tight, the Arab capacity to absorb funds will in return emerge as unlimited. It will be possible to prove this by increasing the efforts to examine closely the opportunities and the needs that may be financed and that are suitable for investment inside the Arab homeland.

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The need to devise new strategic plans for Arab investment abroad and for the assimilation of more Arab funds in the homeland in the eighties will not only be a reflection of the larger volumes of accumulated funds that are expected, but this need will become an important part of those plans as a result of notable developments that have occurred and that will occur in international money markets. These developments will have a direct effect on determining the form in which Arab funds will be invested in the future.

Conclusion and Suggestions

1. The present condition of the structure of Arab investments abroad does not achieve the Arab investment strategy that is represented in finding real sources of revenues that are ongoing and that will take the place of oil. The current structure of these investments keeps the Arab funds as a financing source to be used only in covering the current deficits of the countries of the world. This structure is also subject to tremendous obvious and latent dangers.
2. It thus becomes evident that the Arab countries that have surplus monetary funds beyond their financial needs have a strategic interest in pursuing inside the Arab region broad-scale investment activities with which they can complement their foreign investment activities. [It is evident] that the only opportunity which these countries have to effect a reasonable redistribution of their investments in favor of productive investments lies only in making their investments, as much as that is possible, inside the Arab region itself.
3. Thus the challenge that the Arab region is facing lies basically in the pursuit of a long-term investment strategy that would in practical terms achieve a deep-rooted congruence between the interests of the Arab oil producing countries and those of the Arab countries that need capital. This matter requires intense efforts so that the obstacles that would limit the capacity of the Arab region to absorb the new investments that are generated by the oil funds can be surmounted. In this context the capacity to absorb funds is the ability to use the financial aid that is available as well as the ability to attract financing that is offered on commercial, competitive bases through the mediation of Arab money markets.
4. The rates at which Arab funds are being amassed, as indicated by future trends, make it necessary, now more than any other time in the past, that appropriate Arab investment plans abroad be formulated quickly and that significant portions of the funds be assimilated in the area through Arab money markets. This in fact will not only reflect larger volumes of fund accumulation, but it will also be in part the result of notable developments that will take place in money markets abroad.
5. It is not unlikely in the future that different Arab investors will compete with each other to benefit from investment opportunities abroad which will actually be limited just as we already mentioned. Accordingly, the minimum principal components in the agencies that are responsible for Arab investments must be available so they can confront those missions that must be confronted in the future stage. Briefly, those missions are:

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A. These agencies are to have adequate capabilities in the area of making financial investigations and inquiries into the areas and locations of investment abroad; they are to guide [investors] to them or to warn [investors] against them.

B. These agencies are to be capable of making investments in "real assets" that would make up for the continuous drain on the oil resources and would be consistent with the national interest.

C. These agencies are to be of the caliber that would make them carry out relatively major investment operations abroad that are consistent with the objectives that have been set.

D. The preceding analysis leads simply to the affirmation that cooperation and coordination between various agencies that are responsible for the investment of Arab funds abroad are important. As a preliminary step this coordination and cooperation can begin, for example, between a number of official investment agencies that are geographically close--the Arabian Gulf and the Arab Maghreb, for example. These are the agencies that in practice are responsible for the management of the official reserves. A few formulas for such cooperation may be proposed such as forming a league for the corporations or agencies that work in the field of investments. These corporations or agencies would meet periodically and regularly for consultations, for drawing up investment policies and for coordinating their activities.

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ISLAMIC AFFAIRS

RELIGIOUS CONTEXT OF IRAN-IRAQ WAR DISCUSSED

Paris AL-WATAN AL-'ARABI in Arabic 2-8 Jan 81 pp 16-19

[Article: "The Shi'ites and the Persians: The Persians Became Shi'ites but Refused To Turn Power Over to Descendants of 'Ali Ibn Abi Talib"]

[Text] The Iraqi-Iranian war proved that national affiliation is stronger than sectarian affiliation. The imams of the prophet's family told the Persians, "O, people, show us the same love you have for Islam; no sooner were we beset by your love, than it became a disgrace to us.

Ever since the Ottoman and French occupations Iran has been trying to obliterate the Arab character and national struggle of Mount 'Amil in Lebanon.

War between two neighboring nations has not been a forbidden matter, an unlikely possibility or a unique phenomenon in human and political history since nations cannot choose their neighbors, control their conduct and prescribe neighborly manners to them.

But the growing fury of a dispute and the reinforcement of a contradiction among the groups and ethnic elements of one of the nations are matters of great concern because they threaten the cohesiveness of that nation, they impede its growth and development, they weaken its character and they cause it to lose confidence in itself. Finally, they divert it of the sense of being one nation and not nations or groups that fight and contradict each other.

What is happening today on the Arab nation's territory and borders is something of this nature. With all the signs of anxiety over the future of coexistence between two large nations such as the Arab nation and the community of Iranian peoples and with all the warnings about the danger to the security and the peace of the eastern wing of the Arab homeland, the Arab nation's war with Iran is neither curious nor surprising in the history of human or international relations.

But it is the paroxysm of contradictions and struggles among the ethnic elements and groups that make up the Arab nation which arouses concern, grief and sorrow. It is this paroxysm of contradictions and struggles that does in fact constitute the real threat to the cohesiveness of the Arab nation and to its faith that it is

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a nation and not a group of tribes, sects or old families that have compromised and reached a settlement or that are killing and fighting each other.

The appearance of one contradiction would be a natural and a self-evident matter, but the flare-up of all the contradictions at once leads one to believe rather strongly that there is a designed plan to kindle disputes and struggles; that controversies are deliberately contrived and that there is an intention to dwell on every dissimilarity and distinction in the Arab body.

It were as though planners were not satisfied with the fact that the remains of the Arab nation are scattered into separate and divided entities and spurious borders and barriers that crop up here and there in the face of any rapprochement or integration, so they are now trying to affect the Arab fabric most deeply. They are trying to separate its warp from its woof; and they are trying to awaken all the dormant grudges and sensitivities in its unconscious. Time should have obliterated, effaced or at least benumbed those grudges and sensitivities.

Enflaming the dispute between the Sunnis and the Shi'ites is the latest addition to the designed plan of carefully tearing apart the Arab nation and shaking its organic composition. There is an untiring media and propaganda effort that is concentrating on reminding the two sects day and night of the political fighting, the sectarian and religious disputes and the ideological and mythological differences that exist in their ancient history.

These latent contradictions that lie dormant beneath the surface of the mutual peaceful coexistence between the two major Islamic sects in the Arab homeland used to appear until a few years ago as remnants of the hateful past. In fact, this futile fighting and killing with which successive generations have been preoccupied for many long periods of time throughout history aroused laughter and ridicule among the intellectual and educated members of both sects.

Today, Shi'ites in the Arab world are being addressed as a religious minority and stirred up by outsiders on various broadcast wave lengths. On a social level, they are being made to feel deprived and poor as though deprivation and poverty were their exclusive domain simply because they are a religious or a sectarian minority and not because deprivation and poverty are the lot of the vast majority of the masses in Arab societies whether they are Sunnis or Shi'ites.

On the political level the Shi'ites are reminded through the use of inflammatory propaganda of the fact that they are second class citizens: under unjust Sunni regimes they have all the duties but not all the rights. It were as though the popular and the partisan struggle were aimed at getting human and constitutional rights for the Sunnis only and not for the members of other sects and denominations, or as though the aim of the struggle was to keep the members of these sects and denominations the prisoners of the Sunni majority or in the back of their political bag.

On the denominational and sectarian level, the religious sentiments of the Shi'ites are being addressed and enflamed by reminding them of all the tragedies and misfortunes in their history. All their emotional distress, their romantic inclination

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to be aroused and provoked to extremes are being exploited, and then all these agitated hostilities are channeled into a collision course with their Sunni citizens.

These concentrated addresses to the Shi'ites were accompanied by the awakening of religious emotions, and they were in keeping with the plan that sought to drive the wedge of a contrived contradiction between Arabism and Islam. But this contrived provocation of the Shi'ites in Iraq, in the Arabian Gulf and in Lebanon reached its peak only after the religious clergy in Iran succeeded in overthrowing the monarchy and the regime of the Pahlavi dynasty.

The Overthrow of the Alleged Trusteeship

The religious veil was removed, and the religious establishment in Iran set itself up as the protector of the sanctuary for the "persecuted" Shi'ite sect, relying on the historical denominational relationship between Arab Shi'ites and the Shi'ites of Persia. While the "expert theologian" Khomeyni was promising Yasir 'Arafat that he would end the role of "the Iranian policeman" in the Gulf and reconsider the question of the three islands that Iran usurped from the United Arab Emirates in 1971, Khomeyni's ayatollahs were distributing roles [among themselves]. Rohani was asking for Bahrain; Khalkhali was threatening to destroy Arab regimes; Beheshti was organizing the al-Da'wah [Appeal] Party to overthrow the Iraqi regime through the use of violence and terror; and Ghotbzadeh, the chief of radio and television, was broadcasting three programs in Arabic to arouse the sentiments of the Shi'ites in Iraq and in the Gulf.

This Persian "trusteeship" may have succeeded in sensitizing Arab Shi'ites to what was happening in Iran more than it did succeed in turning them against the Arab regimes. The evidence is that all the provocation programs and plans yielded nothing but individual incidents such as aborted political assassination attempts in Iraq. The denominational provocation in Kuwait ended with the exile of Sayyid 'Abbas al-Mihri and his Persian family from the country; Muhammad Hadi Madrasi was exiled from Bahrain; and there was a limited demonstration in the eastern region of Saudi Arabia.

Pictures of Khomeyni have now disappeared or almost disappeared from the markets in the Arabian Gulf. They had awakened in people's hearts a spontaneous enthusiasm for his regime, not because of "repression and terror" as Ghotbzadeh's broadcasts were claiming, but rather as a result of the symptoms of shakiness, fragmentation and chaos in Iran itself and as a result of the religious revolution's devastating failure after almost 2 years to come up with a political Islam in a revolutionary and a contemporary context.

Then came the Iraqi-Iranian war and established the practical evidence that the Persian trusteeship of the Arab Shi'ites was invalid. The Shi'ite revolution did not occur in Iraq, and "the minority" in the Gulf did not take action.

It is no secret that the Iraqi forces that are fighting inside Iranian territory as well as the forces of the popular army that are guarding the supply and munitions lines behind the combat lines include large numbers of Arab Shi'ites in Iraq. Those

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people are fighting side by side; they are fighting enthusiastically, forcefully and with the same spirit of self-sacrifice and heroism with which their Sunni comrades in arms are fighting.

It is no secret that thousands in the Iraqi armed forces who lost their lives while putting down the al-Barzani rebellion were Arab Shi'ites. They were killed by insurgents' bullets that settled in their hearts and in their bodies. These bullets were supplied by Iran. Arab Shi'ites were killed by shrapnel from the bombs and the rockets that the Iranian forces were firing from behind the borders.

National affiliation prevailed over all the claims of the alleged denominational trusteeship and the poisonous propaganda it broadcast over the air and across the border. Credit here is due to proper political and national education. This is a point in favor of the Ba'th party in its steadfast struggle to make the young generations' awareness of their national affiliation overcome all the obstacles of regional, racist or denominational sensitivities and grudges. This is the only way a sound and healthy Arab society can be built.

The fact that Khomeyni's regime has concentrated on the Ba'th Party is only a tacit recognition of the party's ability to penetrate denominational sensitivities and historical grudges to add young Shi'ites to its ranks in Iraq and Lebanon. The Persian campaign against the party was intense to the point of suggesting to its supporters in Lebanon that they carry out a physical liquidation campaign. The victims of that campaign became a number of Shi'ites who insisted on continuing their struggle in the ranks of the party as evidence of their preference for a broad nationalist affiliation to all other narrow affiliations and ties.

The Persian trusteeship of Arab Shi'ites is not a new phenomenon. It goes way back into Islamic history, and it goes to the heart of religious and denominational disputes in Islam. It is interspersed with and overlaps these disputes with hidden and evident racial and political movements and ideological, psychological and social differences.

If the opportunity is not available here for a detailed and an accurate review of history, which would be contained in the thoughts and written works of a careful and scrupulous researcher, we must pause at certain significant historical junctures of the Shi'ite denominational movement in order to explain the Persian-Arab relationship.

Ever since the [beginning of] man's known history Iraq has been the scene of an Aryan-Semitic dispute in all its military, political, religious and cultural forms. The Persian-Arab relationship comes under the framework of this dispute. In fact, it is one of its most prominent stages and features since the Persians are Aryans and the Arabs, Semitic. However, an awareness of this racial distinction is neither evident nor understood in Islamic history.

In the year 3,000 or 2,000 B.C. the Elamites, an Aryan people that had settled in the mountains of Khuzestan or Arabistan, exchanged destructive invasions with the Akkad and Sumer, then with the states of Babylonia and Assyria in Iraq until the kings of Assyria were able to crush the state of Elam in the 7th century B.C.

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Never again were they to stand on their feet. History is repeated itself. One of the decisive battles was fought between Nebuchadnezzar of Babylon and the Elamites on the banks of the Karkheh River which was recently the scene of savage fighting between Iraqi and Iranian forces.

Then the Persians under the leadership of Cyrus, who was immortalized by the Shah a few years ago, invaded the Chaldean Empire and demolished it in 539 B.C. Their occupation of Iraq came to an end when they retreated in front of Alexander of Macedonia in 331 B.C. But then they returned to Iraq and established their kingdoms in the cities. The reign of the Sasanid Empire came to an end with the Arab Islamic conquest when Sa'd ibn Abi Waqqas scored a decisive victory for the Arabs in the battle of al-Qadisiyah in 636 A.D. (16 Hegira).

The Arab Islamic conquest was not the first time that the Arabs had come into contact with the Persians. This conquest was preceded by confrontations the most important of which had been the battle of Dhi Qar in which the Arabs were victorious. That battle had given the Arabs their first sense of national awareness during their pre-Islamic state.

Persians' Predominance over the Arabs

After the battle of al-Qadisiyah and the Arab conquest of Persia, the Persians adopted Islam, but they never forgot their defeat in al-Qadisiyah. When the Persian Abu Lu'lu'ah killed Caliph 'Umar ibn al-Khattab, who had led the Arab armies to liberate Iraq, he declared in a reference to the battle of al-Qadisiyah, "'Umar had broken my heart!'"

The Arab-Persian struggle with all its racist features, its cultural differences and its religious backgrounds continued under the Islamic umbrella. From the beginning the Persians had felt superior to the Arabs, and they had magnified the significance of their defeat at their hands. However, they were not satisfied with adopting a negative posture towards the Arabs. They learned the Arabic language, and they involved themselves in the substance of political Arab disputes. For the vast majority the goal of such participation and interference was to conspire against the Arabs, to overthrow their government and ultimately to take over power.

Arab society is a devout Islamic society. In the Persians' effort to achieve their political goals, the only thing they could do was to ride the tide of religion. At the same time they did everything in their power to kindle political and denominational disputes among the Arabs. The source of their extreme resentment of the Umayyad state was its devotion to its Arab character. When the Umayyad ruler was overthrown, the Khurasan army in the countries of the Arab Maghreb resorted to killing every Arab prisoner whose name was Mu'awiyah, Marawan or Sufyan.

The Persians had more prominence under the Abbasids than under the Umayyads. They became ministers under the Abbasids. The Arab caliph was the sovereign, but it was the Persian ministers that had the executive power. However, it was when the Persians immersed themselves in the heat of the struggle between the Sunnis and the Shi'ites that they truly revealed themselves to the Arabs.

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Arab Shi'ites are almost the first political party in Islam in today's sense [of a political party]. At the outset under the administration of Caliph 'Uthman ibn 'Affan the Shi'ite faction was centered around claiming the succession for 'Ali ibn Abi Talib, may God be pleased with him. It was a political dispute between the majority and the Shi'ite minority over the right of the prophet's family to the succession.

The Shi'ite movement assumed its organizational and propaganda framework in the 'Umayyad age. Its martyr al-Husayn ibn 'Ali ibn Abi Talib had given the movement in Karbala' its revolutionary and vengeful impetus. Nevertheless, it had remained until that time with its political, reformist framework.

The theological and ideological sense of the Shi'ite faith emerged early under the Abbassid caliphate and became crystallized in the ideas and individual interpretations of Imam Ja'far al-Sadiq who was a contemporary of Caliph al-Mansur. If openness and independent judgments are the two principal features of Shi'ite thought, independent judgments opened the door wide to immoderation in explaining and interpreting [matters] to the point of [generating] conflict, contradiction and fabrication. Accordingly, this led to the creation of scores of Shi'ite groups or groups that are considered Shi'ite. Perhaps the most important of these are the Ismailis, the al-Shibayis, the al-Kisanis, the al-Nusayris and the Agha Khanis.

The Persians adopted the Shi'ite message in the Abbassid age. They had a negative influence on it, contributing to the fragmentation of Shi'ites into factions and groups. Because of their pre-Islamic religious, philosophical and cultural backgrounds, they exaggerated [their negative influence on the Shi'ite faith] to the point that some of these groups may be classified as inventions that have no relationship whatsoever with the substance of Islam. The history of the literary movement which opposed Arab supremacy is full of Persian political and literary names that include ministers from al-Barmecide and the people of Sahl as well as the poet Abu Nuwas.

Despite this Persian enthusiasm for adopting the Shi'ite faith, the Persians never utilized their prestige and their executive power to transfer the succession from the Abbassids to the 'Alawis. In fact, they did everything in their power to prevent any conciliation between those who subscribed to the succession going to the prophet's uncle and those who subscribed to the succession of the prophet's immediate family. The position of the 'Alawi imams on the factionalism of the Persians fluctuated between going along with them, being lenient and accepting them or opposing, reprimanding and rebuking them to the point of condemning them for exaggerating their appeal and over explaining and interpreting it in a manner that is removed from the spirit and the substance of the pure religion. One time Imam 'Ali ibn al-Husayn ibn Zayn al-'Abidin exclaimed at them in a Hashemite fit of anger, "Oh ye people, show us the same love you show for Islam. No sooner were we beset by your love, than it became a disgrace to us."

Not only did the Persians use the Shi'ite faith as a vehicle to achieve their political objectives, but they also turned it into a shield for their distinctive Persian character to make it easy for themselves to take action within an Islamic framework to achieve their racist objectives.

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The state of the Buwayhids was the first separatist Persian state. It turned the Abbassid caliphate into a nominal institution, and it tried to transfer its institutions, its landmarks and its cultural centers to Persia. But despite its predilection to the Shi'ite faith, it never thought of handing over the government to the members of the 'Alawi family. All that it did was devise the al-Husayn-style funerals.

After the state of the Buwayhids and the state of Khwarizm Iran, the Persian Vizir Mu'ayyad al-Din ibn al-'Alqami, the minister of al-Musta'sim Billah began writing to Hulagu the commander of the Mongols encouraging him to invade Baghdad. Hulagu did in fact follow the advice of another Persian, Nasir al-Din al-Tusi, and he overran the city in 656 Hegira. The number of his victims came to 800,000 residents of the city, both Sunnis and Shi'ites.

Then the al-Safavid Dynasty in the Persian region of Azerbaijan flourished in the latter part of the 15th century A.D., and it was a perfect example of Persian racism. Its sultans made the Persian language the official language, and to reduce the resentment against them, they approached the Shi'ite scholars and used force to impose the Shi'ite faith [on the people]. However, they did damage to the 12th al-Ja'fari denomination to which most of the Shi'ites belong today.

These are glimpses and intervals of Persian history with the Arabs and with Arab Shi'ites in particular. There is not enough scope here to review the Persian additions to the Shi'ite groups. These additions led some of the groups to stray from the true substance of the religion and aroused many religious and bloody disputes not only between the Sunnis and the Shi'ites, but also among the Shi'ites themselves.

Despite all this, the modern Arab awakening stayed away from sectarian and denominational sensitivities after the Arabs recovered from the fires of Ottoman colonialism and from the fires of the Persian political and religious trusteeship before the Ottoman colonialism.

During the revolution of the twenties (1920) Iraq, which for several centuries had been the scene of denominational and racial disputes between the Persians and the Arabs, stood with its Sunni and Shi'ite citizens against the plans of British colonialism to affirm its Arab character. The Shi'ites took part in drawing up the political program of the modern Iraqi Arab state.

The Shi'ites in (Jabal 'Amil) in south Lebanon have Arab origins and belong to the 'Amilah al-Saba'iyah tribe that emigrated from Yemen to the outermost parts of Syria after the destruction of the Ma'rib dam.

Shi'ite religious scholars and intellectuals from south Lebanon took part in the appeal for Arab nationalism during the final days of the Ottoman Empire and they were represented in the secret conferences that have been held since 1877. In fact, the scholar al-Sayyid Muhammad al-Amin demonstrated his extremist Arabism at the Damascus Conference by advocating revolution. He took part in pledging allegiance to Prince 'Abd-al-Qadir al-Jaza'iri, as prince of Syria.

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When the banners of the independent Arab state were unfurled in Damascus in 1918, the citizens of (Jabal 'Amil) were at the forefront of its supporters. That support was an expression of their faith in their deep-rooted Arab affiliation, but it subjected them to the wrath of the French who imposed on them a heavy fine of 100,000 pounds in gold. But this did not dissuade them from this faith despite the aspects of backwardness, deprivation, poverty and feudalism that enveloped their region.

Today, Khomeyni's Iran is trying to obliterate the Arab character of (Jabal 'Amil) by reviving the narrow sectarian spirit in the hearts of its residents and young people and giving the armed Amal Movement a sectarian nature. This placed the Amal Movement in a heated confrontation with the national parties and forces and with the Palestinian Revolution, and it encouraged Sa'd Haddad, the pioneer of cooperation with Israel, to claim that the militias of the Amal Movement were taking part in his "victorious" attacks on Palestinian positions.

There are three factors that control the Persian appeal to the Arab Shi'ites in Iraq and in the Gulf to rebel against the regimes and the societies where they live with their blood brothers and their historical brothers.

The first one of these factors is the lack of political experience in the ruling establishment in Iran. This establishment believes that it would be easy to set up Khomeyni as the leader of the Muslims in the world simply because he overthrew the government in his country. The ruling establishment in Iran believed that it would be easier [than it turned out to be] to export Khomeyni's revolution with all its chaos and its impotence to the Islamic world and especially to the neighboring Arab countries. This lack of political experience is mixed with Persian ignorance of the nature and substance of the Arab National Movement.

Arabism in modern Arab history has been a factor that fostered harmony among the denominational and racial groups of Arab society; it has been an incentive as well for confronting the inherited backwardness and the imperialist attack. Despite the failures and the setbacks of the national movement, it would be silly to accept the Persian charge that the national movement is an ignorant, an atheistic or a non-believer movement. It would also be silly to accuse the Arabs of abandoning their religion, for Islam is at the heart of Arab heritage, Arab thought and the Arab character.

The second one of these factors is the belief that there is a Shi'ite minority near the oil wells that can be aroused and persuaded to become a tool of Khomeyni's regime for imposing his influence on the Gulf, just as the Shah tried to turn the rebel al-Barzani into a Trojan horse in Iraq.

It would be futile to imagine that the Shi'ites in Iraq or in the Gulf can be led blindly, simply because radio appeals are made across the borders. Because of the development programs and the accelerating growth these Shi'ites are aware of their national role and position despite all the denominational influences. So far their general demeanor seems to indicate that they are not prepared to abandon this position and this role and to become a tool of provocation and instigation.

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The third one of these factors is the fact that the Persian character, with all its psychological and religious outcomes, harbors emotional tendencies that make it rely on illogical, unrealistic or irrational unruliness, thus making domestic or foreign Persian political action appear to be arbitrary and placing Iran repeatedly in a position that is at odds with that of its true friends and permanent neighbors. In this case [its friends and neighbors] are the Arabs themselves. This happened under the administration of the Shah who set himself up as the protector of the Gulf, proceeding from the position of "Persianizing" Aryan Iran and [maintaining the Persian] racist historical hostility for the Semitic Arabs. This is happening today with Shi'ite Iran with all the haughtiness and the condescension it harbors under its garb for the Arabs, "the people who eat grasshoppers and who drink the milk of the camel"--according to the propaganda publications that are distributed these days to the Iranian armed forces.

One of the aspects of haphazard Arab action may be the fact that among the Arabs there are those, like President al-Qadhdhafi, who do not perceive the gravity of the Persian threat to the Arab character of Iraq and the Gulf. He disregards all his nationalist premises to proclaim his loyalty to and his sympathy with his "relative" Khomeyni, as he says, and to proclaim his willingness to finance the Iranian war machine to fight the Iraqis whose relationship to him should come first, if he is really serious about considering himself one of the Arab nationalists.

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AFGHANISTAN

AFGHAN REBELS WANT MORE THAN 'HALF-HEARTED MORAL SUPPORT'

LDO41849 Milan CORRIERE DELLA SERA in Italian 1 Mar 81 p 4

[Report by Renato Ferraro: "Afghanistan Asks West to Make Political Intervention for Peace"]

[Text] Ravenna--Is Afghanistan a forgotten genocide? Now, scarcely 14 months since the Soviet invasion, the massacre of Afghan patriots is continuing amid the democratic world's indifference. Afghanistan has vanished from the front pages of newspapers, the anti-imperialist movements which brought crowds onto the streets to demonstrate against the French military presence in Algeria and the American military presence in Vietnam are silent, showing that the decline in interest is equally beneficial to both superpowers. Europe seems more impotent than ever.

To shake public opinion out of this torpor the Ravenna Republican Youth Federation held a meeting yesterday, in conjunction with Amnesty International, attended by Afghan guerrilla leader Hashmatullah Mujaddedi, "foreign minister" of the National Liberation Front--the organization which groups a large section of the partisans.

(Mujaddedi) quoted an ancient Persian poem: "If Afghanistan dies, it is the end for the whole of Asia." The resistance to the Soviet invasion, he stated, is not the Afghan people's private affair. Russian imperialism has always aimed at access to warm water and is now also aiming at control of the oil routes--the lifeline of the European and Japanese economies. "If the Europeans do not now take action to help us and halt Moscow's expansionism, they will have to take action tomorrow to protect their energy supplies. It will probably be too late to prevent World War III."

There is a political problem: the Soviet plan to destabilize the West by an armed threat to the crude oil which supplies the Western countries. (Mujaddedi) accused the West of suicidal shortsightedness: "It is vital," he said, "to aid both Afghanistan and Pakistan--the Red Army's next target. The problem is not new, nor does it date from the December 1979 invasion. Moscow has been intervening in Kabul for 3 years. First it replaced King Zaher by Daud, then Daud by Taraki, then Taraki by Amin, then Amin by Karmal, and the West did nothing."

It is now a humanitarian matter. The war, (Mujaddedi) stated, has already killed 1 million people and made 5 million people homeless. The Soviets raze villages to the ground, deport the inhabitants, wipe them out with napalm, and torture the

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partisans and bury them alive: "So far Europe has only given us half-hearted moral support. It has made very little practical attempt to support the Afghans, it has merely supplied some aid to the refugees who have fled over the border. This is not enough either from the moral or the political viewpoint."

The guerrillas assert that they will rout the Soviets as they did the British 100 years ago. "The entire people are taking part in the resistance, while the Russian soldiers are demoralized and are fighting badly because they know that they have been sent to give their lives not to defend a fraternal country, as Moscow's propaganda maintains, but to attack a peaceful people of shepherds and peasants," (Mujaddedi) said.

[Question] How long will the Afghans be able to go on fighting if the West does not end the occupation with a political intervention for peace?

The guerrilla leader did not specify how long: "We have enough courage and arms to fight against the enemy's armor," he said, "but we are not capable of countering the helicopter-gunships now being sent in by Moscow. To pierce the titanium armor we need surface-to-air missiles, and so far nobody has been prepared to give them to us."

In conclusion the Afghan leader urged public opinion, the parties and the government to wake up, to defend peace and the principle of peoples' self-determination. As an initial measure he requested the formation of an Italian solidarity committee.

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AFGHANISTAN

ETHNOLOGIST INTERVIEWS NURISTAN LEADER OF RESISTANCE

Paris LE NOUVEL OBSERVATEUR in French 26 Jan 81 pp 96-101

[Article by Mike Barry: "Nuristan: The New Afghan Resistance"]

[Text] "We will leave only a million Afghans alive; that is enough to build socialism." This statement was made during the summer of 1979, in other words several months before the Soviet invasion, by an Afghan officer, the commander of the Pol-3-Charkhi concentration camp, near Kabul. The Soviet press quoted him . . . to stress the change in the strategy of the Soviet army against the Afghan resistance. Indeed the massacres and the poundings from the air continue, but interspersed with efforts to win over the rebel native groups. This is notably the case in the province of Nuristan, on the frontier with Pakistan. Mike Barry, an ethnologist and expert on Islam (see his article "The Stages in the Afghan Shipwreck" in our Issue No 792, 14 January 1980), spent several weeks there last November. He was able to talk with guerrilla leaders, to travel with a caravan of resisters, collecting the new anti-personnel mines dropped by Soviet helicopters in the field, and aid in the reunification efforts in the resistance movements.

Inaugurating a new strategy in the colonial war in Afghanistan during last summer and autumn, the armored helicopters of the Red Army dropped mines the size of a child's hand, equipped with an aileron so that they would glide and not explode on striking the ground, all along the eastern frontier of the country, and on the ridges in Nuristan in particular. They blend in perfectly with the terrain. Some, made of dark-green plastic, were scattered in pastureland, while others, khaki-colored, peppered the desert plains or dusty tracks, dropped with precision by the Soviet pilots. Of limited power, these mines are designed to blow off the foot which strikes one at the ankle.

This systematic scattering was designed to discourage the resisters from returning home, for the Afghan partisans, operating from Pakistan, are trying to resupply the frontier districts with grain, since farming has practically ceased because of the bombing. However, since the Soviet troops emptied the Kunar valley of its population and stepped up their pressure on the Paktya peasants from the air in order to force them in turn to take the path of exile--more than a million Afghan refugees are already crowded into Pakistani camps--the routes approaching the country are jammed and the interior is empty. However, the province of Nuristan, adjacent to Pakistan, protected by its mountains, is still struggling to prevent this suffocation, and the peasants pick their way among the

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mines with loads of flour and salt for the interior. At the end of November, just before the first snowfall, the partisans agreed to let me join one of their caravans.

Beginning at dawn, a stream of traffic filled the steep path winding beneath the peaks on which snow could already be seen among the dark clumps of pines. Oaks and mulberry trees generously watered by the Indian monsoon rains, the mountains in Nuristan, with their sumptuous forest adornment, contrast with an arid Afghanistan. A shepherd pelted a herd of bleating goats with pebbles to force them up the Pakistan road. Two mountain men in white berets--the typical headdress of Nuristan--followed, pushing a donkey loaded with live chickens trussed by their feet, which he would sell on the other side of the frontier.

Tumbling down the track in the other direction, my companions jogged along, bent under their load of sacks of grain purchased in Pakistan. Farther down, in the shadow of the pines, their wives, exhausted, divested themselves of their rattan baskets at the edge of the stream. One of them modestly hides her face in her sleeve, but she wears a shoulder strap supporting a Kalishnikov rifle. After the last mine drop 20 days earlier, the shepherds reopened the road by throwing stones to explode the yellowish booby-traps. Shattered and twisted, the little mustard-colored artifacts are strewn along the tracks in groups, a few centimeters apart. Peeping out from beneath a bush, a still-intact fin bore the date of manufacture and a cyrillic initial stamped in black ink, the signature of the oppressor.

Clearing the slopes, where the green artifacts blend with the trees, is even more dangerous. The goats step on the scattered booby-traps and lose a foot, and the herds have been devastated. The shepherds, the majority of them children, come unexpectedly upon piles of little bombs. In a Pakistani hospital, two adolescents, in the midst of a crowd of Afghan amputees, showed me their identical stumps: one of the boys, after having stepped on a mine, fell forward, striking a second with his hand. On the same day, his companion had just picked up a bomb by the fin to remove it from his path, when he stepped on another.

Beyond the mined sector, after several hours of travel through a forest with its trees shattered by the bombs, our caravan reached the first village. A few houses of rough-hewn planks, embedded in mud walls, were scattered among formless heaps of dried mud and whitewashed timbers. Two families were camping in the ruins. Men in berets, draped in skimpy shawls, welcomed us, hands on their hearts, and sold us--at a very high price--two chickens for the evening meal.

Here the incendiary rocket attacks date back to the days (1978-1979) of the pro-Soviet President Taraki. The last peasants left in the village guard the property of those who have fled to Pakistan: it is forbidden to steal a rope bed or a stool from an abandoned hovel. But the contours of the wheat fields, overrun with weeds, are already blurring. An Afghan village, abandoned to the elements, crumbles and disappears rapidly, again becoming a part of the mud and thickets from which it emerged.

On the other side of the stream, a little wooden mosque with galleries sculptured in abstract patterns was accidentally spared by the rockets. The little columns reveal tracery which once represented serpents, the symbols of the supreme god

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Imra. Annexed and converted to Islam by force by an emir of Kabul as late as 1897--it was then that the country took the name Nuristan, which means "Luminous Country"--the people of Nuristan demolished the stiff effigies of their gods, but continued to put up sanctuaries such as this, carved with magic ornaments whose pagan mystique they sense in some obscure way.

The rest of the village has lost its lintels and balconies, its wooden porticos, carved with stars and stylized lotus flowers, to the bombs. Before the war, the caste of craftsmen, the famous "bari," decorated all the houses in this way, transforming the poor hamlets of Nuristan into what seemed at first glance unreal palaces of lace. "That's all right," one of the survivors assured me as we sat around a campfire, "we know how to rebuild it all."

The next day, while the majority of my companions left us, each at his own village--with the exception of a single grouping which was intact, all of these hamlets were bombed and now house only a fraction of their normal population--we reached the bank of the great river which forms the central valley of Nuristan. On the bank, at a crossroads, a group of men wearing berets and baggy pants, with gaunt faces and shaggy beards, Kalishnikovs in their shoulder straps, stood deferentially around a very old man, only slightly stooped, wearing a long brown cloak.

As unique as its geographic cradle, the resistance in Nuristan draws on a tradition of insubordinate independence, and has created the Afghan partisan organization which is the best source of hope today. The three great valleys of Nuristan--the main being that of the Kamdesh--had a population prior to the war of some 160,000 souls, a fraction of the Afghan population of 17 million. But in the Kamdesh valley, as in the adjacent ones and the camps in Pakistan where there are refugees from Nuristan, the creation of an impressive political structure by the armed peasants is being seen.

The first province to rebel against the pro-Soviet dictatorship of Nur Mohammad Taraki, Nuristan put the Kabul forces to flight in the autumn of 1978. However, Taraki had sent fresh troops when, in the month of August, the population attacked the prefecture with axes, forced the prefect to flee and plundered his arsenal of Kalishnikov rifles. In addition, a number of recruits went over the resistance immediately, taking their weapons with them. The government had sent them to combat a "Chinese invasion," and then they heard Arab shouts of "Allahou Akbar!" resounding from the cliff heights, cries which in no way sounded Chinese to the ears of the good Moslem soldiers. Then Pashtun irregulars, members of a tribe traditionally hostile to the people of Nuristan, joined the partisans they were supposed to fight, with the rifles provided by the regime.

The government forces had to beat a retreat, but their retaliation was bloody. Six Soviet advisers were still in Kamdesh, the capital of the province, when the planes sprayed the surrounding mountains with napalm--proof of this is now definite (see subheading "Soviet Napalm" below). Hostages taken at random were sent in trucks to the regional concentration camp in Jalalabad. (I met an old shepherd who had been subjected to electrical torture in the presence of a Soviet adviser: they wanted him to admit that he worked for the CIA! He was released

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18 months later, under Babrak Karmal.) Finally, the evacuated city of Kamdesh was bombarded with incendiary rockets. Today, the tail of a transport helicopter which was shot down projects from blackened beams there, like a scarecrow. An overturned truck and a tank which tumbled into the river bear witness to the battles which raged all along the regular road. The troops of the regime entrenched themselves in the fort at Barikot, in the southern part of the territory of Nuristan. Supported by Soviet aircraft, they are still hanging on there today.

Once liberated, the central valley of Nuristan organized its defense in 1978. The partisans blocked the road running along the river with piles of debris. No tanks can get through. On the tops of the ridges overlooking Barikot, several hundred young people, relieved every month, lying in ambush in stone shelters, fire at every head which appears above the crinulations of the fort. The Soviets return their fire without much success. But since the invasion, the new armored helicopters have been making murderous raids on the valley. The machines hover a few meters above the ground and machine-gun the village populations. Their titanium armor makes them invulnerable to the defenders' fire. This is a helicopter which nothing can shoot down except missiles, which the resistance forces do not have. They harrass, exhaust and discourage the fighters, making them doubt their staying capacity. The people of Nuristan are asking themselves when their turn will come, following the defeat of their neighbors in Kunar, to the south.

Despite the repression, the heart of the territory of Nuristan has remained since 1978 under the administration of a supreme council, headed by Amer (Chief) Tang, a bearded patriarch with a hand-carved walking stick. He travels among the villages, surrounded by his escort, and never goes to Pakistan. He is at the present the incarnation of the continuity of the nation of Nuristan on its own soil. Here, the pro-Soviet regime in Kabul has not had enough time to kill enough notables, and has been unable to destroy the village structures or crack the tribal psychology.

The Djast, the greybeards of Nuristan, sit with Amer Tang, constituting a government, a court and a council of war simultaneously. The ancient pagan Nuristan, pre-feudal, accorded prestige only to notables who spent lavishly and generously on celebrations, and who redistributed their accumulated wealth in the villages. At present it is the family of Amer Tang which enjoys unchallenged autonomy. Indeed, this patriarch is defended from Outahs, the high priests of G'ish, the god of war, a line venerated despite the conversion to Islam less than a century ago. However he retains his high rank because he is linked with a tradition being lost under the governors of Kabul: he has distributed the whole of his family assets to the resistance movement. At the present time, the majority of the leaders in the supreme council belong to Amer Tang's lineage: the commander in chief, Anwar Khan; his brother, Wakil Kabir; and their cousin, Shah-Wali Shefa, the organizer of the refugees in Pakistan. With an iron hand and obstinacy unique in Afghanistan, the supreme council has founded a national fund (Sandouq-e-Melli) for the nation of Nuristan at war, which has by force of circumstances become the remarkably modern treasury of a rebel peasant commune. First of all, the council, with the agreement of the Islamic clergy, confiscated for this holy war the income of religious foundations. Then it imposed taxes on goats, cattle, the ladies' jewelry which the people are leaving to sell in Pakistan. Finally, it takes its portion from the refugee allocations.

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In fact, until the autumn of 1980, the Pakistani government was paying 4 rupees (2 francs) per day for each registered refugee, with a maximum of 50 rupees per family. The refugee from Nuristan paid 1 rupee per day to the national fund. The recent reduction in the Pakistani allocation from 50 rupees per refugee per month, due to the overwhelming influx of fleeing Afghans, seriously reduced this source of income for the fund, which is now asking only 1 rupee per month. However, the fund benefits from the income from fines imposed by the council court. I asked the official in charge, Shah-Wali Shefa, if a refugee from Nuristan could refuse to pay. "Impossible. He would be expelled from the tribe and his family."

In the valley, witnesses told me about the verdict in a recent trial. A young "mujahid" had carried off, with her consent, the daughter of a notable, a cantankerous old man who refused to give the younger man her hand. The amused judges ruled that the lovers were justified, but because of their violation of Islamic law, they sentenced the fine young man to sell his goats to the benefit of the national fund.

It was with the resources of this poor fund that the people of Nuristan opened an office in Peshawar and are financing a newspaper, SADA-YE NOURESTAN (The Voice of Nuristan), one of the best resistance papers, published in Persian and Pushtu and carried by porters not only to the frontier region on the east but also to central Hazaradjat. (The KGB prints a pirate journal, FREE AFGHANISTAN, giving false bank account numbers to which to send contributions to the resistance.)

In the interior, the resources of the fund serve to feed the combatants at the front, and above all, to buy ammunition (often bad hand-made cartridges) for the precious Kalishnikov rifles recovered on the free market in Pakistan. These rifles, moreover, are national property (melli). The automatic rifles remain at the front for replacement soldiers to use, while those relieved depart for a fixed period of rest. The wounded are evacuated to Pakistan. If their condition warrants it, they are flown to hospitals in Peshawar, where the hospital costs are paid by the fund.

In addition, the fund maintains hostels along the route for refugees. For eastern Afghanistan is being emptied of its people via the free valleys in Nuristan, a veritable bleeding of fugitives leading to the death of the country.

Consequently the primary concern of the supreme council is to maintain a constant exchange between Nuristan in exile and that surviving in the interior, to prevent the strangulation of the fatherland. For many Afghan families from the Northeast, separated from their homeland by hundreds of kilometers of mountain tracks, exile in Pakistan is permanent. On the other hand, the families from Nuristan move constantly between the refugee camps in the Chitral region in Pakistan, where they resupply themselves with grain, and their villages, on the other side of the mountains, where they go to pasture their herds--for there is no space for their goats and their cows in the overcrowded pastures of Pakistan.

In Chitral, Sha-Wali Shefa, who represents the refugees, one of the few citizens of Nuristan who speaks English, adamantly defends the cause of his people, tries to extract maximal quantities of tents, blankets, powdered milk and liquid cash from the representatives of the international community. The strict tribal code

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of honor prevents him from enriching himself: his cousins oversee him, and moreover, corruption has not yet poisoned the leaders of the Nuristan ethnic group as it has so many of the Pashtun tribes, demoralized and splintered by exile. The sums recovered by Shah-Wali go to the national fund. But he meets with a lack of understanding on the part of United Nations officials, whose colonial goodwill is tinged with stubborn pettiness. The Westerners want to know why a given number of registered refugees does not correspond with the number of refugees answering the roll call, and they threaten to cut down the allocations, requiring that the fugitives stay in the camps under their control. Shah-Wali explains that a certain number have had to return to their land in order to pasture their animals. "But then," official logic retorts, "they are no longer refugees!" How can Shah-Wali make them understand that the shepherds return to the camps, that others depart for their homeland, that a whole people are refusing to abandon their land?

The resistance in Nuristan, courageous though it is, may have remained of purely local importance. But it plays a strategic role in the eastern areas of the country. It also benefits from the exceptional political clairvoyance of its leaders--its commander in chief, Anwar Khan, the nephew of Amer Tang, in particular. It was these leaders of Nuristan who took the initiative in August of 1979 in rallying various resistance movements in the interior in a kind of federated front, independent of the parties in exile in Peshawar. First the Hazara people in the mountainous center allied with the people of Nuristan, and then in 1980, the Pashtuns from Kunar and Wardak joined. In addition, the leaders in Nuristan have won the sympathy of a number of intellectuals in Kabul, some of them leftists, and in some cases even former Maoists.

Thus there has been an implicit development of a sort of internal front, the ramifications of which extend to the capital, as well as along the eastern frontier and into the very heart of Afghanistan. This does not mean that there are not tensions among the various allies in this front. In addition, the regions adjacent to Nuristan, such as Panjshir and Badakhshan, preferred to give their allegiance to an integrist party in Peshawar which offered the advantage of supplying them with weapons (the Djami'at-e Islami), making collaboration in the field difficult. Finally, the fact that the Nuristan leader Anwar Khan has the affections of a number of leftist Afghans, and has even become a kind of symbol for many intellectuals and students in Kabul as well as abroad, automatically makes him suspect in the eyes of the conservatives and the integrists, although he remains a devout Moslem.

Probably, the disorganization in the Afghan resistance reflects the distintegration in the society, the general collapse of the political structures prior to 1978. From the communist coup d'etat in April 1978 to the Soviet invasion in December 1979, the Muscovite advisers of the dictators Taraki and Amin in fact undertook the extermination of the Afghan elite in a methodically atrocious fashion. Notables, the Islamic clergy, Westernized intellectuals, technical cadres and government employees died in the Pol-e Charkhi concentration camp near Kabul, buried alive by bulldozers or dumped into cesspools. It is true that this policy ended in two defeats: instead of crushing the population with terror, it caused it to rise up in generalized revolt, and it created an administrative vacuum which the Afghan Communist Party, as small as it is incompetent, has shown

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itself incapable of filling. Now that it has taken the government of the country in hand, the USSR has had to modify its methods temporarily and to tolerate Islam. According to the most recent reports, Kabul has tried to win over the resistants in Nuristan by promising respect for tribal customs. The rejection of the Nuristan leaders was immediate.

With only a handful of exceptions, the intellectuals and cadres who survived Pol-e Charkhi, suffering from trauma, prefer exile in Europe or the United States to participation in the resistance. Without a doubt they are fleeing the regime, but in order to crowd into the hotels in Peshawar to await visas. The resistance parties in Peshawar are headed by leaders with often mediocre intellectual backgrounds, hopelessly split between an integrist faction and a pro-Western nationalist faction, the political and strategic defeat of which is obvious but which has the monopoly on foreign financial aid. Thus it is to the peasants with nothing, coming out of a broken society, that the task of building and defending a country beginning from zero has fallen. And there is nothing to guarantee the final success of their efforts. As Nuristan commander Anwar Khan has stressed: "The intellectuals are fleeing, and it is we men of the mountains who must do everything."

In this dark beginning of the year 1981, more than 12 months after the invasion of their country by the Red Army tanks, the leaders of the peasant resistance in Nuristan are faced with the following harsh political realities.

The refugees are not at home in Pakistan, and they must submit to the constraints and choices of the government which is their host. Now Pakistan is one of the most vulnerable nations in the world. It is supported by no military alliance. Its air space is regularly violated by Soviet planes, while its eastern frontier is threatened by India, the government of which is hostile to it. Pakistan does not dare to provide the resistants with the anti-helicopter missiles which they need and free passage of arms across its territory still remains officially prohibited.

Pakistan has officially recognized six resistance organizations in Peshawar, allowing them to establish offices and bank accounts and to receive funds. No Afghan organization in the interior can follow in their footsteps without the specific authorization of the Pakistani government. The six parties are a drain on foreign aid: they channel the aspirations of the refugees--and thus their existence is essential to the Pakistani government--but they inexorably divide the resistance movement. Let us try to imagine the status of the French resistance movement in 1940 if the government in London had simultaneously recognized six rival bodies at the same time. Today, the Pakistani government, which has not succeeded in getting the six parties to unite--the famous alliance established in March of 1980 broke up in December--would hesitate to recognize a seventh body, dynamic and acceptable to a large proportion of the refugees though it might be.

These quarrels demoralize the refugees, who talk more and more of a return to the old king, Zaher Shah, as their only hope. In the memory of the people, the reign of this monarch, who was in fact rather indifferent to the fate of the people, begins to seem like a distant golden age. "Where is Zaher Shah?" a very young and pathetic Nuristan shepherd asked me one day, near the ruins of the hunting lodge of the former king. "In Rome," I told him. "Is that very far, Rome? Might he

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come back?" Fourteen years old, he had hardly known the reign of this monarch who was overthrown in 1973.

The most serious political error of these parties was demanding the submission of the resistants who came to ask their aid. Now the reality of the Afghan resistance is a network of valleys like that in Nuristan: autonomous organizations defend their territory, such as Kunar, Paktia and Panjshir.

It was into the midst of this situation, an impasse for months, that the Nuristan commander Mohammad Anwar Amin, called Anwar Khan, appeared on the scene. A young 40, invariably wearing the national white beret, with a stiff military moustache but laughing eyes, very devout but ferociously anti-clerical, Anwar Khan appeared as the only Afghan military commander known and followed beyond the narrow limits of a political organization or ethnic group. He has committed himself to no party, and the program of the integristes who urge an "Islamic republic" of the Iranian type, in which the mullahs would dominate, is unacceptable to him. The ingenious idea of Anwar Khan, beginning in August 1979, was to propose the alliance of the small people of Nuristan with the vast Hazara ethnic group, some 400 million souls strong.

Breaking with centuries of tradition, Anwar Khan proposed that the Shiites in the center of Afghanistan cooperate fully with the Sunnites in Nuristan in a common struggle: to seal the alliance in blood, the combatants from Nuristan have even gone to die on the Hazara front.

But this alliance between the Hazara, a minority of Shiites, and the people of Nuristan, recently Moslemized pagans, could not lay claim to representing the basic Afghanistan ethnic group, the Pashtuns. The support of the Nuristan-Hazara movement by the martyred people of Kunar, entirely Pashtun, profoundly altered the political status of the resistance. Henceforth, a major faction of the majority ethnic group stands behind, and thereby consolidates, the union of internal resistance movements.

The Kunar community in exile has moreover the same structures as that of neighboring Nuristan. A patriarch has become the symbol of the ethnic group: Shamsoddin Madjrouh, a descendant of the prophet. But his son, Bahaoddin Madjrouh, the dynamic counterpart of Anwar Khan in Kunar, vividly contrasts with the athletic Nuristan war chieftain. A refined intellectual, with a degree in philosophy from the university of Montpellier, and a faculty dean in Kabul, Bahaoddin Madjrouh has been handicapped since a leg injury in a car accident long ago, and directs the resistance of his people from his refugee's room in Peshawar. A paradoxical collaboration has developed between the two leaders. Anwar Khan, the man of action, devotes himself to brilliant political schemes, while Bahaoddin Madjrouh, the cloistered thinker, urges guerrilla operations above all. In his view, the internal resistance launched by Anwar Khan should remain free cooperation between autonomous commanders, flexible enough to allow collaboration with certain war chieftains still formally affiliated with parties. Consequently it would be too soon to set forth a political program.

But as 1981 dawned, the internal union founded by the Nuristan leaders brought a triumph: it remains desperately poor on the level of equipment, but it is richer by an office in Peshawar. The Pakistani government has recognized it. This is perhaps a new year of hope.

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Soviet Napalm

A number of types of incendiary bombs have been dropped on Afghanistan since the troubles provoked by the pro-Soviet coup d'etat in April of 1978. They include the following:

A. Incendiary rockets. In Nuristan, where the majority of the houses are built of wood, I was able to see with my own eyes that the majority of the villages in the Kamdesh valley are charred in part or entirely. The beams and joists protruding from the ruins are blackened. Witnesses report projectiles dropped by helicopters, giving off an odor of "powder" (barout). The villages then burned. Dates: 1978 and 1979.

B. "Phosphorous bombs." The Khyber hospital in Peshawar, Pakistan, is treating atrociously burned children, including a number of young girls whose faces look "melted." The Pakistani doctors thought at first it was napalm, but the military surgeon who heads the hospital, Brig Gen Nawab Khan, concluded after examining the wounded children that it was "a mixture of phosphorous and sulfur." These "phosphorous bombs" were perhaps in fact incendiary rockets. The young girls cannot give evidence: their tongues were burned. The wounded came from the province of Nangrahar (in the Jalalabad area), in the eastern part of Afghanistan. Date: end of January or early February 1980.

C. Napalm. Questioned on 17 March 1980 at the refugee camp in Kababian, Pakistan, three Pashtun women told me they fled a bomb "which burns our fruit trees" after falling from the sky "like gasoline" (tel-ware). They came from the Sorkh-Rod valley (Jalalabad area) in the eastern part of Afghanistan. Date: February 1980.

Descriptions of a bomb "which burned a forest right up" were given to me in March 1980 by refugees from Nuristan. I was able to visit the terrain last November. This is what I saw: on the slope of the mountains facing the town of Kamdesh, on the other side of the river, dead and brownish pines make streaks through a dark-green forest. According to local witnesses, whose stories were consistent and were cross-checked, containers (bilar) fell from helicopters on this forest, which shot up in flames, spreading an odor "like gasoline" (tel-ware) over the valley. At that time the resistance fighters held the ridges, while a government garrison occupied the market town of Kamdesh. The unanimous reports said that six--or seven--Soviet advisers were in the garrison. Other bombings "like gasoline" occurred in the forests rising above the road from Kamdesh to Mirdeh. I explored these areas: long black corridors zigzag through these forests. Over a width of 30 meters and a length of 200 to 300 meters, all the trees on the slope were dead and totally blackened, the ground was covered with charcoal and ash from disintegrating logs. I counted three burned strips of this sort along the road I followed. The peasants hid one of the containers of this "gasoline" in a cave: the heavy oblong bomb split without exploding, letting the liquid escape. However on the inner walls, the jellied petroleum left a sticky blackish deposit. There is no doubt: this was indeed napalm. Date: October-November 1978.

Has there been a change in strategy? Napalm has not been used in Nuristan for more than a year.

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ALGERIA

BRIEFS

GAS PRICE AGREEMENT--Last month SONATRACH (Societe Nationale Algerienne des Hydrocarbures) and the British company British Gas Corporation signed an interim agreement on the price of liquefied natural gas (LNG) to be produced by the corporation beginning in 1981. The agreement covers a 9 months period and anticipates a quarterly increase yielding an average fob price of \$4.60 per million BTU for LNG exported from the Arzew (ex Camel) liquefaction plant during the first 9 months in 1981. The price will reach \$4.80 per million BTU on July 1, 1981. The interim agreement just concluded should enable SONATRACH and British Gas Corporation to reach a 5-year agreement which would extend the 15-year contract signed in 1964 for exports from the "Camel" plant which, with an annual production of 1.5 billion cubic meters of natural gas, delivers in liquefied form, the equivalent of one billion cubic meters to Great Britain, and 500,000 cubic meters to France. This Algerian-British interim agreement is the first of its kind to be signed while similar negotiations begun over a year ago by SONATRACH with its two main customers EL PASO (USA) and GAS DE FRANCE, appear bogged down (MTM 5 Dec 1980, p 3330). [Text] [Paris MARCHES TROPICAUX ET MEDITERRANEENS in French 2 Jan 81 p 17] 6445

FRENCH HOLDINGS TRANSFERRED--The Algerian Ministry of Finances has made public on 24 December 1980 a decision concerning the transfer of accounts opened in the name of French nationals who have left Algeria. The Algerian Government decided to authorize the transfer of holdings in waiting accounts and in final departure accounts in the name of French nationals who have left Algeria. For personal savings accounts the transfers are made directly by the banks upon request by individuals. The announcement states that business accounts will also be transferred upon request, but after verification of the tax situation of the company involved. When the account is the object of a legal partial freeze, the non-frozen part of the account may also be transferred. A separate decision will be made concerning accounts opened in the names of banks and insurance companies, in conformity with the recent agreements between France and Algeria. The French Foreign Ministry indicated on 26 December that additional details on the transfer conditions and the amounts of French holdings the Algerian Government decided to release will be known during the first half of January. The Quai d'Orsay added that the extent and the practical aspects of this decision will be evaluated after the number of interested persons becomes known. A report presented to the French National Assembly in 1965 and concerning the budget of the Department of the Interior mentioned 927,000 persons as having been repatriated from Algeria. The French Treasury Department added that the total amount of frozen holdings belonging to repatriated nationals added up to 70 million dinars (1 dinar

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is worth about 1.15 french francs). Observers assume that the recent decision does not cover this total amount. The Algerian decision is the result of negotiations between the two countries. On 24 June 1976, six working groups were created to resolve the differences between France and Algeria: emigration, individual situations, financial differences, property and activities of the French in Algeria, social security, archives. At the conclusion of the official visit to Algeria of the French Foreign Minister Mr Jean Francois-Poncet on 17 and 18 September 1980, the final report mentioned the soon-to-be-announced Algerian decisions concerning the frozen accounts. [Paris MARCHES TROPICAUX ET MEDITERRANEENS in French 2 Jan 81 p 17] 6445

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IRAN

CENTRAL BANK CHIEF MANEUVERS FOR RETURN OF ASSETS

London 8 DAYS in English 21 Feb 81 pp 2-3

[Text]

That Iran desperately needs the \$4bn of its assets that the US, despite the hostage deal, is still holding, was graphically underlined by President Bani Sadr in a speech last week on the second anniversary of the revolution. In the last year, Iran's foreign exchange reserves plummeted from \$10m to \$4m, while industrial output slumped by 30-40 per cent. In this exclusive interview with TIM McGIRK, Iranian Central Bank governor Ali Nobari reflects on the bitter harvest of the hostage taking.

ALI REZA NOBARI, Iranian Central Bank governor, was in London last week for talks with United States bankers about the many financial claims of the hostage agreement that have yet to be settled between Tehran and Washington. After engaging in financial guerrilla warfare for over a year in the international capital markets, this was the first time that Iranian and American bankers had met face to face.

The meeting was held in the white marble offices of an Iranian bank deep in the City of London. Ever since gunmen raided the Iranian embassy in London, the bank has taken precautions; the sign outside the building is discreet and visitors are screened in the lobby by security guards. Upstairs, representatives from the leading US banks, tall men in immaculate suits carrying flight bags stuffed with balance sheets and legal

claims, circled warily with the Iranians.

At least a dozen US bankers are involved in the billion-dollar bargaining, and there are not enough chairs. Several bankers are left sitting impatiently on the carpeted floor in the corridor. Conversation is terse, guarded. As Nobari told *8 Days*: 'There is a lot of anger and misunderstanding.'

Both sides are battling over how much interest the US banks owe Iran for the 13 months that Iran's \$12bn assets were frozen by Carter. The Americans say only 11 per cent, but the Iranians are claiming 22 per cent. Although nearly \$8bn were returned on 20 January — most of which was sent back to New York from London immediately to pay off Iran's old debts — Nobari accused the Reagan administration and the US banks of deliberately blocking the remaining \$4bn in assets, in apparent violation of the hostage agreement signed by Tehran and former President Jimmy Carter.

Fundamentalist Premier Mohammed Ali Rajai, who signed the hostage agreement for Iran, is a political foe of Nobari and moderate President Abol Hassan Bani Sadr. Nobari and Bani Sadr both openly opposed the hostage agreement, but as the Central Bank governor adds candidly: 'We didn't have much choice. Iran was at war, our foreign reserves were getting low, and all our self-assuring slogans couldn't hide the fact that Iran was totally isolated.'

Nobari worries that this isolation could harm Iran's chances of getting its money back if the Reagan administration, playing to anti-Iranian sentiment now running high in America, decides to contest the agreement. Without European support for

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Nobari: It was understood that the US would unfreeze the arms . . . they were termed 'properties' for political reasons

Iran's financial claims, says Nobari, America may keep the remainder of Iran's assets 'ransom' forever. If that is the case, Iran may have no legal recourse — in a frank discussion with *8 Days* Nobari reveals that President Carter never officially signed an Executive Order unfreezing Iranian assets. Nor has Reagan.

Question: No Executive Order? How is that possible?

Answer: The last two days, 18 and 19 January, were really historical. There was a lot of nervous tension, nobody slept. At the last minute we were told in Tehran that Carter's Executive Order had not arrived. The Americans claimed that they hadn't enough time to see if the Executive Orders would lift the freeze legally. So Carter never really said 'I hereby cancel my order of 14 November, 1979.'

It ended with the understanding that once the hostages were released, Carter would order the US banks to give Iran back the money. But time ran out. Then came Reagan. So far, he hasn't given the banks any orders. And the banks are telling us that they can't move until a White House directive comes. So one kind of freeze was lifted, but it's been substituted for another one.

Have any problems arisen in your talks with

from getting back its assets?

A lot. He hasn't gone to the US courts to ask for an attachment waiver. Since Reagan took office, there have been 500 to 1,000 new legal claims on Iran's assets. If Reagan had done this on 21 January, as we understood, we would've had one billion dollars more now.

We've just been informed that Reagan won't direct the US banks to give us our unattached money in America and overseas until 26 February, whereas the deadline for the escrow account at the Bank of England is 19 February — clearly he's taking his time, allowing more attachments to pile up. This contradicts the Algiers declaration. Reagan was also supposed to unblock our weapons. This was clearly understood. (The US government stopped the delivery of \$400m in weapons and military hardware that Iran has already paid for.)

How clearly?

Very. But for political reasons, the word 'armaments' wasn't used. That's because we were fighting Iraq and the US wanted to stay neutral in the conflict. The phrase used was 'properties', but it was clearly understood that this meant armaments.

Have any US firms with legal claims against Iran offered to drop their attachments in exchange for being allowed back inside the country?

No, they haven't. And I'm sure they don't want to return. Even if they did, there would be barriers put up by the Iranian

“ Carter never really said 'I hereby cancel my 14 November freezing order'. The understanding was that once the hostages were released, Carter would order the US banks to give Iran back the money. But time ran out. Then came Reagan . . . ”

US bankers here in London?

Yes. It was my understanding even up to yesterday (10 February) that the money in the United States and overseas unattached by legal claims — around \$4bn — would be available immediately to Iran. Yesterday (after the first round of talks with US bankers), I was very angry and bitter to find out this wasn't true. For example, Iran had \$500m at the Bank of America in London: on 12 November 1979, the bank transferred this money to San Francisco, so that when Carter froze the assets two days later, the \$500m was stopped. There is no attachment on that money but they're not giving it to us.

Is this under direct instructions from the Reagan administration?

Yes, I think so.

Legally, what has Reagan done to keep Iran

government and people. Iranians feel betrayed, cheated by this hostage deal. Just a month ago, the newspaper headlines said Iran demanded \$24bn. Now Iranians are gradually understanding that only one tenth of their original demand was met. Part of the blame will fall on (Premier Rajai's) government. The rest will be directed towards the US. So the situation isn't ready for the US firms to come back.

Some of their claims are totally exaggerated. Santa Fe Drilling Company, for example, left four oil rigs in Iran, worth about \$4m. So they took us to court. First they asked for \$70m, then \$130m and now they want \$324m — just for four rigs!

You say the hostage deal may weaken Rajai's government. It's been said that Bani Sadr — whose side you're on — has been gathering a power base in the army to

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muster support for an eventual military coup against the fundamentalists. Is this correct?

Look, I've known Bani Sadr for ten years. In Paris, we spent night after night in a small room, staying awake till dawn, talking and talking. Believe me, he wouldn't do that. Bani Sadr hasn't changed his opinions since those Paris days. He still thinks power should not be concentrated. That's why he never set up his own political party. Many supporters reproach him for this. Some even say, 'Mr. President, why don't you come back to Tehran on a tank?' But he's tried to stick to his principles. Bani Sadr isn't the stuff of military dictators.

Was Iran tricked by Washington? Did Rajai's government realise Iran would only end up with \$2.8bn out of \$12bn?

The Rajai government embarked on a process. If, at the beginning, someone had told him that the US wasn't even going to abide by the four Majlis conditions Rajai would have refused. But once they started the negotiations, there was no stopping. That's my analysis, but maybe Rajai sees it differently. To be fair, though, there wasn't much other choice.

Are the Americans renegeing on their end of the deal specifically to destabilise the Iranian government?

Yes, I'm convinced of that. And what's more, the banks dragged out negotiations deliberately, they were fed up with Carter. So Iran's in a tough position. What can it do if the 19 February deadline (for the Bank of England escrow account) expires without Reagan taking any action?

Algeria acted as a kind of guarantor for the agreement, but if the US backed out, technically Algeria would be helpless. As for the Bank of England, they're impartial. They can't act as our agent and push the US government.

The only chance would be for Iran to stop making silly mistakes, as we have done, and try to end our isolation. Around the world, even in the US, people sympathised with the Iranian revolution. When Ayatollah Khomeini was in Paris, they loved him. We were like the Poles who are today fighting Russia. But we made mistakes and this changed the picture. The hostage-taking, the executions, these are less than justifiable in western culture.

Iran must regain its legitimacy. That way we can count on public opinion to back us against the United States. Look, we haven't even got our own money back. Let the world decide: Is it Iran who wanted ransom or the United States?

An attorney in the office of Abourezk, Shack and Medenhall, the firm which is handling Iran's affairs in the US, told 8 Days that the San. Fe Drilling Company's original claim was for \$76m and had not so far been amended.

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IRAN

FOREIGN PHARMACEUTICALS IN IRAN TO BE NATIONALIZED

Paris LA LETTRE DE L'EXPANSION in French 23 Feb 81 p 4

[Text] The chemical firms in Germany suspect imminent nationalization of several affiliated North-American and European pharmaceutical outfits in Iran. These are: Pfizer and Warner-Lambert, an American firm, and the European companies of Hoechst, Bayer, Achering, Marck, Boehringer and Rhone-Poulenc. The German firms are as much concerned about the procedures stipulated in the text presently being prepared in Tehran as they are about the loss and turnover of some 230 million French francs belonging to European firms.

The text reads: Once the firms have been nationalized, they could make use of the manufacturing process without compensations or claims. Iran then could obtain the chemical-base materials from cheaper sources such as the Soviet Union...; something which would have an impact on its commercial ties to foreign outfits already affected since the revolution.

Comment: The Rhone-Poulenc firm, for one, is less pessimistic; because the control of its management has so far been only in the area of naming new Iranian administrators.

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LIBYA

PLAN TO BUY UK ARMS EQUIPMENT REPORTED

LD131445 London FINANCIAL TIMES in English 13 Feb 81 p 34

[Dispatch by Victor Walker in Athens, David Tonge in London: "Libya Negotiating \$100 UK Arms Purchase"]

[Text] Libya is negotiating to buy about \$100M (43 million pounds) worth of British military equipment through a Greek construction company, Edok-Eter, which says the equipment is for army firing ranges.

Edok-Eter says the project will be a joint venture with a group of British manufacturers which will supply closed-circuit televisions, automatic scoring, safety and other specialised equipment involved.

Edok-Eter refused to identify the British companies but said the contract was for a total of \$200M (86 million pounds) divided "about evenly" between equipment and construction costs.

The ranges are to be built in various parts of Libya and the contract could be signed next month. Edok-Eter is to handle construction work and on-site management.

Concern

The company denies a report in Athens that it is also involved in negotiations on an ammunition plant for the Libyans. The report suggests that this would also involve British equipment.

In London, British officials reacted with concern at the possibility of military equipment going to Libya. That country's attempts to merge with Chad and last year's killing of Colonel al-Qadhafi's opponents in Britain and elsewhere cause considerable reluctance to assist in arming Libya.

The department of trade says export licenses would be required. It classes equipment for firing ranges in the category of "appliances for use with arms and apparatus specially designed for land, sea or aerial warfare."

But department officials said they had no knowledge of any such deal.

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This weekend Mr Ioannis Paleocrasses, Greece's acting minister of co-ordination, visited Libya to discuss a Greek proposal that Greek construction companies should pay with work for Libyan oil.

Edok-Eter is one of the four major Greek companies involved in projects in the Middle East and Africa. The company says that it has "about half a dozen" projects underway in Libya in connection with that country's \$60BN five-year development plan.

Training

The company also says there is no direct connection between this latest deal and the inter-governmental talks. Greece has long been training a small number of Libyan soldiers at its army cadet school.

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