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South Yemen: Loosening the Soviet Bear Hug



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An Intelligence Assessment

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NESA 83-10002
January 1983

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South Yemen: Loosening the Soviet Bear Hug

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An Intelligence Assessment

This assessment was prepared by [Redacted]
the Office of Near East-South Asia Analysis with a
contribution from [Redacted] of the Office of
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and may be addressed to the Chief, Persian Gulf
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**South Yemen: Loosening
The Soviet Bear Hug** [redacted]

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Key Judgments

*Information available
as of 15 December 1982
was used in this report.*

South Yemen's relations with the USSR have cooled over the past year. Longstanding Yemeni dissatisfaction with Soviet economic aid and more recent Soviet opposition to Western oil exploration in South Yemen lie at the root of present strains. Moscow clearly is unenthusiastic over the policies of South Yemeni President Ali Nasir Muhammad al-Hasani. [redacted]

Unable to obtain the aid he needs from the USSR and Eastern Europe, 25X1
Hasani has turned to Western Europe, Japan, and the Arab Gulf states. To coax aid from Saudi Arabia and the other conservative oil shaykhdoms, Hasani has moderated his foreign policy. South Yemen's curtailment of support since last spring for the insurgency in North Yemen and its recent reconciliation with Oman reflect this change in direction. [redacted]

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This shift by Hasani appears to be more than just tactical. We believe he genuinely wants to reduce tensions with his neighbors and gradually reduce South Yemen's dependence on Moscow. Saudi and Gulf aid would strengthen his ability to do so. But we doubt that he wants to break completely with the Soviet Union or will be strong enough to take such a risk soon. Soviet influence remains strong in Aden's ruling party and in the defense and internal security spheres. South Yemen, moreover, is heavily dependent on the Soviets for arms, advisers, and spare parts for its almost exclusively Soviet-equipped armed forces. [redacted]

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Ironically, the Soviets may be encouraging Hasani to woo the Gulf states in the hope that this will reduce these regimes' reluctance to normalize relations with Moscow. Soviet authorities, however, seem worried about the prospect of South Yemen discovering oil. We believe they fear this would give Hasani too much latitude to reduce South Yemen's dependence on Moscow. [redacted]

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If the Soviets conclude that Hasani poses too great a threat to their interests in Aden, we believe they will try to oust him. They may have tacitly approved recent abortive coup plotting. Hasani's survival, therefore, is likely to depend on his ability to assuage Soviet concerns and to build internal support for his new, more pragmatic policies. [redacted]

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South Yemen's newfound moderation particularly affects US interests in Saudi Arabia and Oman. Reconciliation will reduce the external threat to these two nations. The diminished threat will impel some conservative shaykhdoms to press Muscat to limit its military cooperation with the United States. At the same time, it may cause the Saudis to withhold new economic aid from the regime in North Yemen. Although the Saudis have provided support to North Yemen when it has been threatened by Aden, Riyadh basically regards the North Yemeni leadership as untrustworthy.



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South Yemen: Loosening the Soviet Bear Hug (U)

Seeds of Friction

Hasani came to power in April 1980 by ousting President Abd al-Fattah Ismail—a committed Marxist and Soviet favorite—in a bloodless coup. To gain Moscow's trust and support, Hasani initially worked closely with the Soviets and pro-Soviet radicals in the region—especially Syria and Libya—to promote Soviet objectives. Soon after taking power he dutifully visited Moscow for consultations. Subsequently, he endorsed Soviet President Brezhnev's proposal for an Arab-Israeli peace settlement, Moscow's "Zone of Peace" proposal for the Indian Ocean, and the Soviet invasion of Afghanistan. [redacted]

[redacted] he also played a key role in promoting the anti-US Tripartite Alliance with Libya and Ethiopia in August 1981 [redacted]

If Hasani expected to be rewarded for his efforts, he has been disappointed. Libyan leader Qadhafi has predictably promised more than he has delivered. More important, Yemeni officials have become increasingly unhappy with Soviet indifference to their economic needs. These include:

- **Development Aid.** The West German Ambassador to Aden recently reported that South Yemen had expected the USSR to finance as much as 40 percent of the new five-year development plan (1981-85)—about \$500 million. Moscow, however, has made no significant economic aid disbursements since Hasani took power and appears unlikely to do so soon. The last large aid commitment (\$90.5 million) was in 1978.
- **Debt Rescheduling.** [redacted] South Yemeni officials are bitter over the Kremlin's reluctance in 1981 to reschedule Aden's \$150-200 million commercial debt. The Soviets finally agreed to a five-year moratorium but only after making clear they would not renegotiate the debt again.
- **Flood Relief.** After South Yemen was hit by heavy flooding last spring, Moscow was very slow in providing emergency relief—in sharp contrast to

Ali Nasir Muhammad al-Hasani



Franz Furst ©

President; Prime Minister (since 1971); Chairman, Yemeni Socialist Party

Pragmatic, nationalist, nonideologue . . . master of political survival . . . led nationalist uprisings against the British, 1965-67 . . . joined "moderate" nationalist faction, 1967 . . . supported former President Rubayi Ali's efforts to moderate South Yemeni foreign policy, 1975-78 . . . weathered Ali's ouster by Soviet-backed Marxist, 1978 . . . a former "yes-man" who has emerged as a consummate politician and strong leader. [redacted]

some Arab states, including Saudi Arabia, which gave \$30 million. The World Bank estimates South Yemen suffered \$1 billion in damages. [redacted]

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Oil Exploration

The most serious bone of contention between Aden and Moscow has been over Western oil companies' exploration efforts in South Yemen. Shortly after the Italian oil company AGIP's operations began to show promise last fall, the Soviets demanded a monopoly on drilling rights

[redacted]

Hasani has resisted Soviet pressure and even granted a new exploratory concession to a Brazilian firm. He also is continuing to deal with British, French, and US oil companies in spite of Soviet objections.

South Yemen's prospects of finding oil in significant commercial quantities are uncertain. The Soviets' 10-year exploratory efforts in the interior have been inconclusive. AGIP announced a small offshore strike last February—the first in South Yemen—but the single well produced an initial flow rate of only about 3,000 barrels per day, less than one-third of South Yemen's current domestic consumption. Further tests are necessary to determine whether even this rate can be sustained.

[redacted] the Soviets want to block the discovery of more oil for fear this would weaken Moscow's hold over Aden. After the loss of their facilities in Somalia and the erosion of their position in Iraq, the Soviets, in our view, probably are worried about Hasani adopting a more independent stance and possibly diversifying South Yemen's sources of arms. His efforts to purchase a small amount of arms from China last spring doubtless have fed such concerns.

[redacted]

Turning Elsewhere

We believe Hasani is forced by economic considerations to turn to other nations for help. His economic programs to overcome South Yemen's deep-rooted poverty face formidable obstacles. The country has virtually no known natural resources, little trained manpower, and limited arable land. Remittances by

Yemenis working in the Persian Gulf oil-producing countries—the government's principal source of foreign exchange—have leveled off over the past year. Rising South Yemeni debt service obligations, meanwhile, will become an increasing burden.

The government desperately needs substantial increases in foreign aid and investments. Foreign aid could be used to purchase advanced agricultural technology that would increase agricultural output and enable South Yemen to substitute cash crops for subsistence crops. Aid also could be used to expand South Yemen's internal communications network and reduce transportation costs.

Moreover, Hasani knows his predecessor Ismail lost domestic support in part because he failed to deal with the economy. Hasani obviously wants to avoid the same fate. To build political support, the President has stimulated popular expectations that his economic policies will work. And to buy time, he has relaxed restrictions on consumer imports and lowered custom duties on consumables—popular moves that increase South Yemen's need for foreign exchange and, hence, aid.

Frustrated with Moscow, Hasani has turned to the West and to China. [redacted] he is pushing vigorously for expanded commercial relations with Western Europe and Japan to obtain technology as well as consumer items. Imports from Western Europe and Japan—always greater than those from the Soviet Union and Eastern Europe—have increased dramatically since Hasani took power (figure 2). Hasani so far has squeezed domestic sources of revenue and relied on credit to finance South Yemen's increasing imports. To attract private foreign investment capital, for example, Hasani has introduced economic reforms, thereby loosening trade restrictions and instituting some profit incentives in the socialist-oriented economy. His economic czar, Abu Bakr al-Attas, also signed a new economic protocol with Beijing last May.

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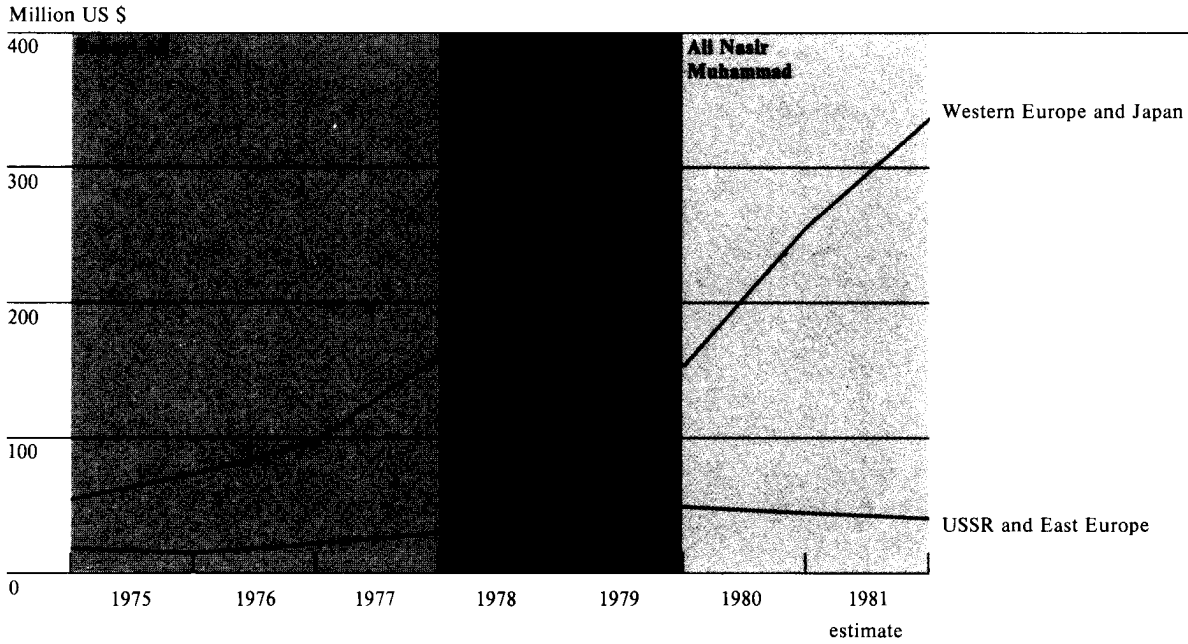
Figure 1



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Figure 2
South Yemen: Imports



[Redacted]

[Redacted] the Soviets are chagrined over Hasani's efforts to build political bridges to some states where he seeks aid. South Yemeni officials reportedly are interested in establishing party ties with the Communist Chinese. Moscow probably knows that the Chinese have over the past year intensified their efforts to undermine Soviet influence in several states traditionally aligned with the Soviet Union, including South Yemen. South Yemen also plans to open an embassy soon in Rome and, according to a British Foreign Office official, to upgrade diplomatic relations with Great Britain. Both Italy and Great Britain are important trading partners.

[Redacted]

Wooing the Gulf States

We believe Hasani has concluded that he must attract more aid from Saudi Arabia and the other conservative Gulf states to help pay for growing imports. Kuwait and the United Arab Emirates have provided funds for several development projects, [Redacted]

To elicit new aid, Hasani has moderated Aden's regional policies. [Redacted] he has had to overcome stiff internal opposition to curtailing assistance to National Democratic Front

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insurgents operating in North Yemen and ending support for the Popular Front for the Liberation of Oman as part of the recent reconciliation with Muscat.

[redacted] We suspect—but cannot prove—that these moves are more than just tactical. Hasani appears more pragmatic and far less interested than his predecessors in promoting Marxist revolutions elsewhere in the region. We believe he can best be described as a nationalist social reformer.

[redacted] South Yemen's pro-Western neighbors—especially the Saudis and Omanis—were skeptical of Hasani's new-found moderation. They doubted that he could move away from the Soviets and suspected that he was acting as a stalking-horse for Moscow.

[redacted] At present only Kuwait has diplomatic relations with Moscow.

Saudi leaders recently have begun exploring prospects for improved relations with South Yemen. Saudi Interior Minister Prince Nayif visited Aden last June and recently received his counterpart in Riyadh.

[redacted] Saudi efforts are focusing on promoting an alliance between Hasani and the influential former Defense Minister Ali Antar. We believe Antar is withholding full support for the President in his struggle against his principal rival and the leading opponent of his pragmatic policies, Defense Minister Qasim. The Saudis apparently believe that Antar's support would enable Hasani to remove Qasim, who is known to be close to the Libyans and the principal supporter of the North Yemeni insurgents.

Hasani and the Soviets

Despite his differences with Moscow, we believe Hasani wants to avoid an open breach with the

Table 1
South Yemen: Soviet-Supplied Military Equipment^a

Type	Number
Tanks	
T-62	85
T-54/55	250
T-34	125
Armored personnel carriers	
BTR-40	30
BTR-60	80
BTR-152	190
BMP	50
Attack helicopters	
MI-24/Hind	12
MI-8/HIP	33
Surface-to-surface missiles	
SCUD-B	6
FROG	12
Surface-to-air missiles	
SAM-2	24
Combat aircraft	
MIG-21	45
SU-20/22	29
Missile patrol boats	
OSA-II	6

^a Includes major equipment items only.

Soviets and even sees advantages in maintaining good relations. These advantages include:

- **Security.** South Yemen since independence in 1967 has looked to Moscow for protection and arms to offset its virtual isolation in the region. Over the past decade the USSR and its East European allies have provided on easy credit terms about \$1.2 billion in military equipment that Aden could not have afforded otherwise. Despite Hasani's new moderate direction, he and other South Yemeni leaders probably are still deeply concerned over US intentions and are reluctant to forgo Moscow's protection.

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Table 2 *Million US \$*
South Yemen: Sources of Foreign Aid, 1974-80

Source	Loans	Grants	Total
Total	439	225	664
USSR	149		149
Eastern Europe	73		73
Subtotal	222		222
Arab States ^a	127	225	352
International financial institutions	71		71
China	19		19

^a Includes Arab fund, Islamic Development Bank, OPEC special fund, and bilateral aid.

- **Economic.** However disappointed South Yemen is with Soviet aid, Aden still needs it. The Soviets and East Europeans have provided about one-third of all economic aid since 1974. In addition, they continue to provide military and academic training and about 2,000 technicians who help fill South Yemen's critical need for trained manpower.
- **Leverage.** Hasani knows the Saudis would pay little attention to South Yemen if they did not regard Aden's ties with the Soviet Union as a threat. He undoubtedly regards this as an important card to play in his attempts to extract aid from Saudi Arabia and the other conservative Gulf shaykhdoms.

The strong influence of the Soviets and their allies in the ruling Yemeni Socialist Party, the military, and the security apparatus also limits Hasani's maneuvering room. The Soviets presently have about 1,000 advisers in the armed forces; the Cubans have 500 in the People's Militia; and the East Germans have 75 with the internal security services. Hasani, we believe, has not forgotten that former President Salim Rubayi Ali's flirtation with the Saudis in the mid-1970s and attempt to put greater distance between himself and Moscow provoked a strong Soviet reaction that contributed to Salim's downfall.

In any event, Hasani has stepped carefully. We believe that he has continued to reject West Germany's conditions for aid (including recognition of Bonn's ties to West Berlin) because he knows that would antagonize both the Soviets and East Germans. Perhaps that is also why he chose not to respond to a recent US overture.

The View From Moscow

The Soviets will keep a wary eye on Hasani. They clearly have misgivings about his shifts in policy, judging by the cool reception he received during his visit to Moscow in mid-September. Neither President Brezhnev nor Premier Tikhonov met or saw off the South Yemeni leader at the airport as is the custom. The joint communique's statement that party ties were simply being "maintained" also was a discreet sign of Soviet dissatisfaction with Hasani.

Moscow, however, appears to be as eager as Hasani to avoid an open breach. Both sides have recently stressed the positive aspects of their relationship. Hasani has been very laudatory of the Soviets since his return to Aden and attended Brezhnev's funeral to pay his respects to the new Soviet leadership.

We can only guess at the reasons for Soviet caution. It may be that the Soviets still regard Hasani's efforts to improve relations with the moderate Arabs as compatible with their own interests, as we have already noted. But they may also be unsure of their ability to oust Hasani and afraid such an attempt might backfire and jeopardize their position in Aden. Indeed, they may have been surprised by the ease with which Hasani squelched the recent coup plotting and subsequently replaced several of former President Ismail's pro-Soviet supporters in key government positions with his own.

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Figure 3. South Yemeni President Ali Nasir Muhammad al-Hasani with Soviet officials. [redacted]



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Moscow apparently wants to maintain a working relationship with Hasani for now, but we believe the Soviets would not hesitate to try to remove him if they thought he posed a threat to their interests in Aden. The Soviets value South Yemen both for the fact that it is the sole state in the Middle East ruled by a Marxist government and for its strategic location. Since Moscow lost access to Somali facilities in 1977, South Yemen's air and port facilities have become significantly more important to Soviet strategists. The Soviets have used South Yemeni port facilities to supplement logistic support for their Indian Ocean Squadron. [redacted]

[redacted]

Implications for the United States

Hasani's policy of expanding South Yemeni ties to other countries almost certainly will generate more friction with the USSR. In our view, these strains over time could sow further distrust between the two Marxist allies and weaken Aden's commitment to serve Soviet interests in the Persian Gulf-Indian Ocean region. [redacted]

The moderate Arab oil producers and Western states such as the United Kingdom and Italy are especially well placed to exploit South Yemeni-Soviet differences. They have the money and the technical resources to help Hasani deal with South Yemen's severe economic difficulties. Both London and Rome have scored points for the assistance they have already given and for their willingness to keep a low profile in Aden—which we believe Hasani regards as essential in the near term to avert a Soviet move against him. In our judgment, foreign aid from moderate Arab and selected Western sources would strengthen Hasani's position against the pro-Soviet elements in his government and thus help him loosen Aden's ties to Moscow. [redacted]

Further moderation in Aden would particularly affect US interests in Saudi Arabia. It would ease Riyadh's sense of encirclement. But by so doing, it may cause the Saudis to withhold new aid commitments to the financially strained regime in North Yemen. In the past, Riyadh's interest in supporting North Yemen has waned when the threat from South Yemen subsided. [redacted]

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Table 3
Soviet Naval Ship Visits to South Yemen
1974-81

Year	Number	Port Days
1974	45	345
1975	35	487
1976	28	218
1977	35	266
1978	72	989
1979	42	725
1980	83	829
1981	75	606

Aden's more moderate course also could create new pressures on Oman within the Gulf Cooperation Council to limit military cooperation with the United States. It would strengthen the position of Kuwait, which brokered the recent South Yemeni-Omani reconciliation and opposes Oman's granting the United States access to its facilities. We believe GCC pressure would almost certainly strengthen officials in Muscat trying to extract a higher price from the United States for Omani cooperation. [redacted]

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