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**Near East and
South Asia Review**



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29 March 1985

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25X1

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25X1

29 March 1985

Page

Articles

Algeria Realigns Itself in Middle East Politics

1

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Egypt's Military Options Against Libya

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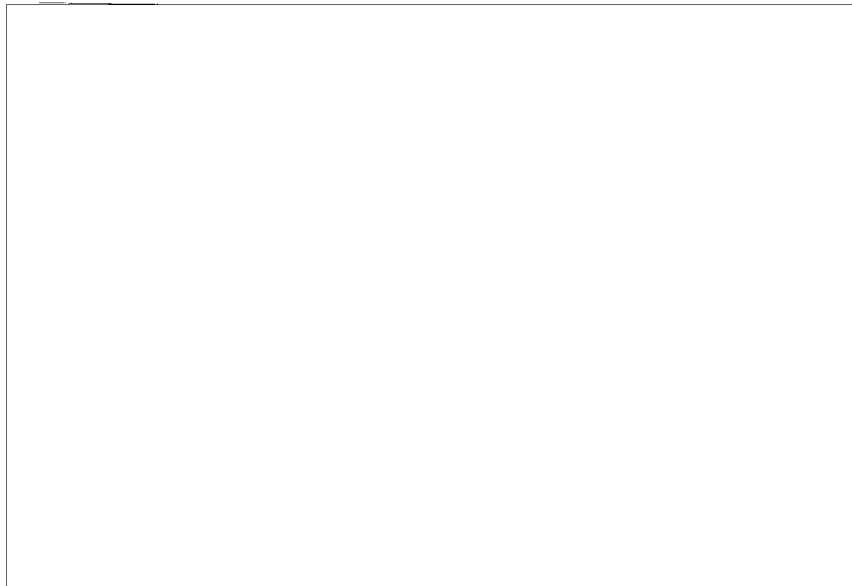
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Libyan hostility during the past year has led Egyptian policymakers to consider military retaliation. But, instead of a broad, conventional attack, they will continue to rely on public warnings to Libya, military buildups near the border, support to Libyan dissidents, and, if these measures fail, small-scale raids into Libya.

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South Asian Regional Cooperation: Slowly Moving Ahead [Redacted] 17

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Hopes are reviving for meaningful regional cooperation in South Asia, but the organization entrusted with this task is too weak to overcome serious bilateral issues among the members and a major breakthrough at a regional summit meeting later this year is unlikely. [Redacted]

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[Redacted]

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The Afghan Resistance and the Muslim Brotherhood [Redacted] 23

[Redacted]

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The Afghan resistance fundamentalist alliance is closely linked to the Muslim Brotherhood, the international Islamic fundamentalist movement whose goal is the installation of Islamic governments in all countries in the Middle East. [Redacted]

25X1

Middle East: Growing Student Fundamentalism [Redacted] 25

[Redacted]

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The popularity of Islamic fundamentalist views on many Middle Eastern university campuses has increased markedly in the current academic year as Islamic groups have emerged as the dominant political force among students. Central governments and university administrations are avoiding confrontations with campus Muslim activists. [Redacted]

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Dubai: Maverick of the United Arab Emirates [Redacted] 29

[Redacted]

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Dubai's refusal to pay its full share of UAE federation expenses or to participate in OPEC-mandated oil production cutbacks for the UAE has been a constant source of friction in federation politics. [Redacted]

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Articles

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Algeria Realigns Itself in Middle East Politics

The most significant shift in Algeria's foreign policy under President Bendjedid has been a more active role in promoting stability in the Middle East. The Algerians are maintaining close ties with Syria and radical Palestinian groups while increasing cooperation with Arab moderates. Algeria has not moved completely into the moderate Arab camp or given unqualified support to recent PLO-Jordanian peace efforts. Nevertheless, the change in its position is dramatic compared with only a few years ago when it was an active participant in the Steadfastness Front set up after Egyptian President Sadat's visit to Jerusalem. Indeed, Cairo now sees Algiers as a key player in any Middle East peace initiative. 

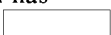
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Bendjedid's active role in Middle East politics reflects a maturing of leadership and a willingness on his part to expand his responsibilities as an Arab statesman. In our view, Bendjedid's first term is best characterized as a period of consolidation of power with an emphasis on domestic issues. As a second-term president, Bendjedid appears eager to develop a positive role for Algeria in the international community, and by gradually placing his men in key positions he has reinforced his mandate to advance his policies. 

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A host of factors have led Algeria to reconsider its place in the Arab lineup and its role in Middle East politics during the past several years:

- Algeria has been increasingly affected by the political ferment that Islamic fundamentalism, religious radicalism, and political subversion have produced in the Middle East during this period.

- The increasing use of terrorism as a political tool has caused Algeria to reevaluate its support for revolutionary groups, as it believes terrorism has served only to increase instability in the region.
- Although the Algerians at one time encouraged the polarization of the Arab world into moderate and radical camps, Algiers has come to realize that this has weakened the Arabs' ability to offer constructive solutions to the Arab-Israeli conflict.
- Finally, the turmoil in Lebanon and increased factionalism within the PLO have reinforced Algiers's view that instability in the region has undermined the Arab stand against Israel. 

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Support for the PLO

Algeria's more active role in Middle East politics has been driven in part by the Palestinian issue. Algeria is one of the few Arab states that has maintained open communications with all PLO groups while supporting Arafat's leadership. Algiers provides sanctuary to about 2,000 Palestinians evacuated from Lebanon and allows these fighters to train on Algerian military equipment. In Algiers's view, an independent and unified Palestinian national movement is a critical factor in the Arab-Israeli equation, and it thus advocates a strict policy of noninterference in Palestinian internal affairs. Algerian officials also have stated that a unified PLO is necessary to deter more radical Palestinian elements from returning to terrorism. 

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NESA NESAR 85-008
29 March 1985

Secret

For the past two years, the Bendjedid government has been called upon by other Arab leaders to work with Syria and its Palestinian allies to reconcile their differences with pro-Arafat groups. Bendjedid's decision not to act as host to last year's Palestine National Council meeting in Algiers no doubt reflected his concerns about Syrian threats that radical PLO groups would not attend. Bendjedid probably believed this would formally split the PLO—an outcome for which the Algerians do not want to be responsible. [redacted]

Algeria's close ties to Syria and its Palestinian surrogates to persuade Syria not to block a settlement. [redacted]

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Algiers's determination to move closer to the moderate Arab states extends beyond compatible views on the Palestinian question, the Arab-Israeli conflict, and the Iran-Iraq war. The Bendjedid government has come to realize that Jordan, Saudi Arabia, and Egypt can be helpful in realizing Algeria's goals in North Africa:

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Backing Away From the Radicals . . .

Of greater importance for US interests is Algiers's pulling away from the radical Arab states. Algiers has rebuffed Syrian, Libyan, and Iranian efforts to reconstitute the radical Steadfastness Front. The Bendjedid government has stopped routinely supporting the radical Arab states on the Palestinian issue because of what it views as Syrian and Libyan efforts to preclude progress toward PLO unity. We believe that Algiers realizes that recognition of Israel's right to exist as well as reestablishment of relations with Egypt are inevitable—a position in sharp contrast to that held in Damascus, Tripoli, and Tehran. [redacted]

- Bendjedid probably hopes that King Hussein, King Fahd, and President Mubarak will use their personal ties with Moroccan King Hassan to modify what Algiers believes has been Moroccan intransigence on the Western Sahara issue.

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[redacted]

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Algiers's reluctance to join the radicals also reflects its desire to mediate the Iran-Iraq war. Algeria's inclusion with Iran in the radical front would jeopardize, in Algeria's view, its ability to represent both parties in any negotiations. [redacted]

- Along with other Arab leaders, Bendjedid believes Qadhafi is a major threat to Middle East stability and sees Saudi Arabia and Egypt in a position to cooperate in countering Libyan subversion. [redacted]

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Outlook

Bendjedid's interest in promoting Algeria as an important contributor to regional stability will not translate into quick and consistent support for US policies in the Middle East. Algeria is unlikely to take the lead in forging solutions to inter-Arab disputes. We anticipate that Algiers will prefer to use its influence behind the scenes to urge a consensus and keep its role discreet. [redacted]

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. . . Toward the Moderates

Bendjedid's recognition of Arafat's leadership and tacit approval of his efforts to work with Jordan on a joint approach to peace negotiations bring Algeria even more in line with the moderate Arab coalition of Saudi Arabia, Jordan, and Egypt. The moderates are particularly pleased with Algeria's insistence on a Palestinian consensus for any peace formula and its efforts at mediating Syrian-PLO differences. Jordanian and Egyptian officials are counting on

Algiers has little leverage over Damascus, but it will do what it believes is necessary to resolve Syrian-PLO differences, including working with other Arab leaders to temper Syrian objections and develop PLO unity. If the issue is controversial, as in the case of the Hussein-Arafat agreement, the Algerians probably

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will remain silent or convey their position privately. Algiers, however, will take a more open position on issues of principle, such as criticizing Syria and Libya for encouraging factionalism within the PLO.

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As Algeria's relations with moderate Arab states improve, we believe Algiers will be more willing to cooperate with Washington on issues it views as debilitating or dividing the Arab world—Libya, the Iran-Iraq war, Western Sahara, and terrorism.

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Egypt's Military Options Against Libya

Libyan hostility during the past year has led Egyptian policymakers to consider retaliation, particularly in the event of a provocation by Libyan leader Qadhafi. We believe Egypt is unlikely to launch a broad, conventional attack against Libya after such a provocation, although relations will remain tense in any case.

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[Redacted]

Egypt's policymakers probably will continue to rely on public warnings to Libya, occasional military buildups near the border, and support to Libyan dissidents. If those measures fail to deter Qadhafi from further troublemaking, Egypt will consider small-scale raids into Libya.

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Background

Libya last year used a variety of tactics to attack Egyptian interests. Libyans targeted Egyptian officials for assassination and mined the Gulf of Suez and Red Sea. The Egyptians believe Tripoli also planned to bomb the Aswan High Dam, although Libya's deep-rooted fear of Egyptian military retaliation makes such an attack unlikely. To destabilize Egypt's ally, Sudan, Libya bombed a radio station in Omdurman and supported Sudanese dissidents seeking to overthrow President Nimeiri. In response, Egypt mounted a temporary show of force near the border, upgraded air defenses around Aswan, and publicly warned Tripoli against further provocations.

[Redacted]

Earlier provocations by Libyan leader Qadhafi had led to a military clash along the border in July 1977. Catalysts for Egypt's attack included a plan by Qadhafi to assassinate President Sadat, Qadhafi's

role in a coup attempt that almost toppled Nimeiri, and Libyan involvement in a train bombing that killed 12 Egyptians in Alexandria.

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Egyptian Views of the Libyan Threat

The Mubarak government expects hostility from Libya as long as Egypt honors its peace treaty with Israel, maintains friendly relations with the United

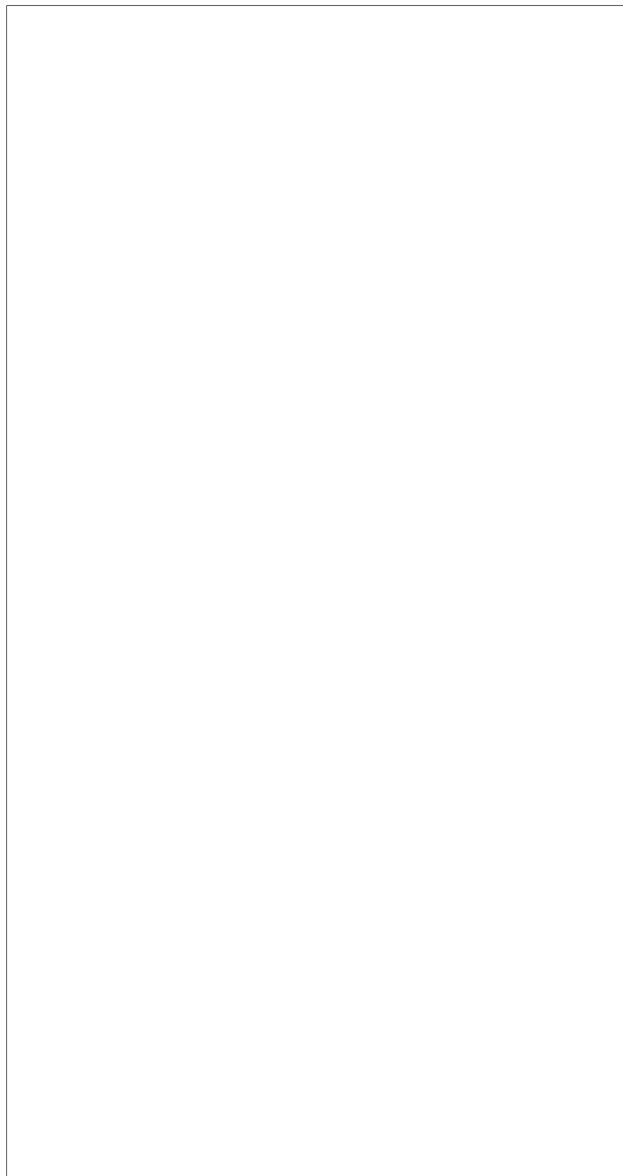
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NESA NESAR 85-008
29 March 1985

Secret

States, and continues to counter Qadhafi's influence in the region. Egyptian leaders know the mercurial Qadhafi can mount terrorist operations and limited conventional attacks against Egypt and its allies. Senior military officers, moreover, perceive a long-term danger in Libya's Soviet-backed military buildup. [redacted]

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They point especially to the Libyan Air Force, whose fleet of largely Soviet-made aircraft is more sophisticated and double the size of Egypt's. [redacted]

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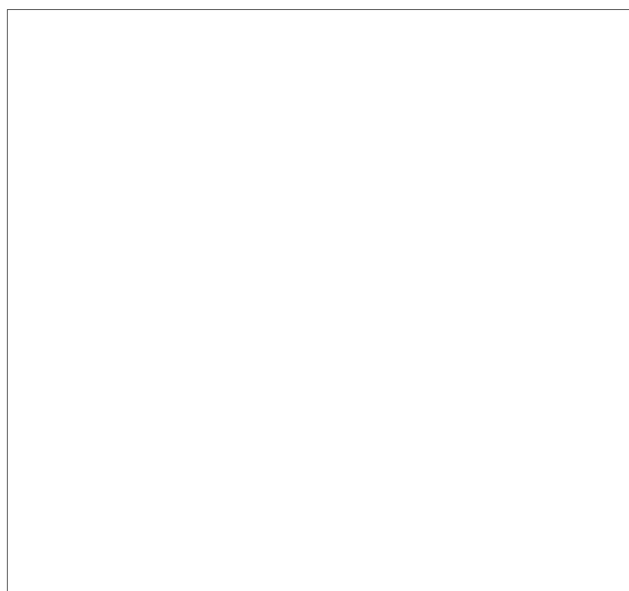
Egypt's Military Options

Threats and Troop Alerts. Threats of retaliation and the occasional alerting of troops are a low-cost way of keeping the Libyans guessing about Cairo's intentions. The option reduces the risk that a small-scale confrontation will escalate into a wider conflict. Moreover, it appears to suit the cautious style of Mubarak, who, in our view, wants to cultivate the image of a statesman who is far more responsible than Qadhafi. [redacted]

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Egypt's strategy of bluff, however, may in time lose credibility with the Libyans. Cairo's relative inaction might embolden the Libyans, although we believe Qadhafi has a good sense of how far he can push Mubarak. Tripoli can call Cairo's bluff by increasing political and military pressure while denying Cairo cause for military retaliation. Such an action would be designed to highlight Egyptian vulnerabilities and undermine the credibility of Cairo's military relationship with Washington.¹ It probably would also heighten frustration among Egyptian soldiers and increase internal pressure on Mubarak to retaliate. [redacted]

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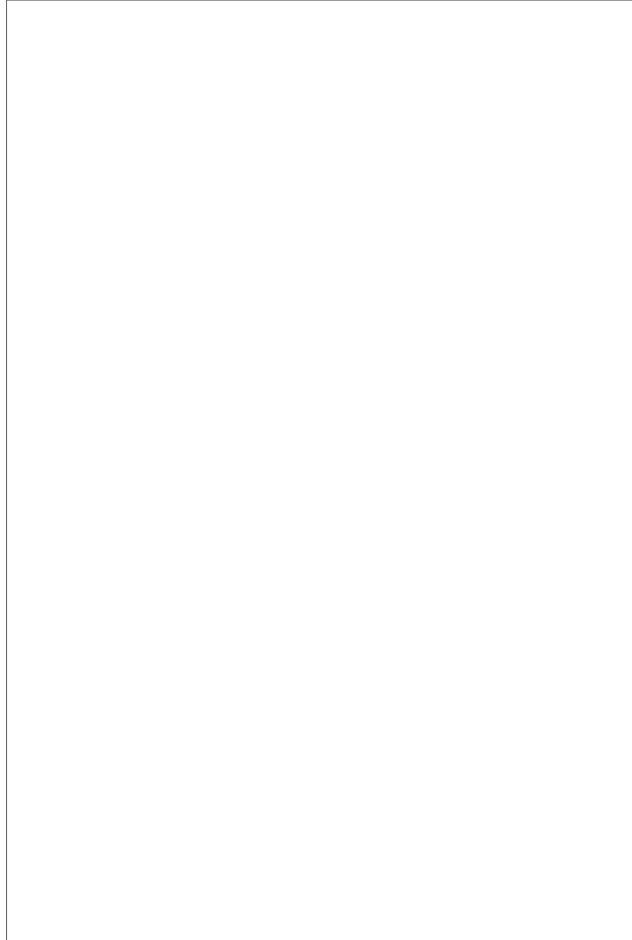
Abu Ghazala, al-Orabi, and other senior military officers have warned that Libya's conventional military capabilities are growing faster than Egypt's.

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Outlook

Egypt probably will continue to rely on public warnings and occasional military buildups near the Libyan border as its main responses to Libyan belligerence. Egyptian policymakers will remain reluctant to risk an armed confrontation out of wariness about Libya's air capabilities, uncertainty about each side's allies, and recognition that a war might be long and costly

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Nonetheless, Cairo might resort to commando-type raids into Libya if:

- It had proof of Libyan responsibility for the assassination of a high-level Egyptian official or officials. Egyptian policymakers might view the

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attack as a direct challenge which, if left unpunished, could tarnish Egypt's prestige and encourage further Libyan attacks.

- It concluded that a pro-Libyan group was about to seize power in Sudan. Although the Egyptians are not committed to Nimeiri's personal survival, evidence of a strong Libyan threat to Sudan might impel Cairo to launch small-scale attacks against the Libyans to ease pressure on Khartoum. [redacted]

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Implications for the United States

Egypt's avoidance of war with Libya would neither damage nor advance US interests in the next six months. With little chance of a war, Cairo would not need to seek the politically sensitive AWACS from the United States. This cautious Egyptian policy would not reduce Libya's Soviet-backed military buildup or curb Qadhafi's efforts to weaken governments in the region that are on good terms with Washington. [redacted]

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damage Cairo's effort to promote Arab-Israeli peace negotiations. Egypt's attack would intensify divisions within the Arab world and might prompt Syria to provide military support to Libya as a show of solidarity. Egypt would expect some form of US military aid, particularly in the unlikely event the USSR committed personnel to help the Libyans. Failure to meet Cairo's requests would chill Egyptian-US relations and weaken Washington's credibility in the region as a reliable partner. Cairo might even be tempted to withdraw its promise to allow the United States access to some facilities that would be needed in the event of an attack on friendly Arab states. [redacted]

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[redacted]

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Unless Libyan dissidents managed to topple Qadhafi, increased Egyptian and other aid to such dissidents would heighten Libyan-backed violence in the area. Qadhafi appears determined to keep his exiled opponents from becoming a major threat to his rule. To this end, he would, if necessary, step up his assassination campaign against them and probably would target more Egyptian and possibly US personnel and facilities for terrorist attacks. [redacted]

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An Egyptian raid into Libya would dramatically increase the chances of a larger confrontation. Cairo would have broken an implicit Egyptian-Libyan understanding, mutually respected since 1977, not to attack each other with conventional military force. Given the caution exercised by Cairo thus far, the move might indicate that Mubarak felt politically weak and in need of a bold gesture to restore his support. [redacted]

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The Egyptians are unlikely to launch a broad conventional attack against Libya, but, if they did, this would trigger Arab condemnations of Egypt and

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South Asian Regional Cooperation: Slowly Moving Ahead [redacted]

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Hopes are reviving for meaningful regional cooperation in South Asia, but the organization entrusted with this task is too weak to overcome serious bilateral issues among the members. The South Asia Regional Cooperation group (SARC), which consists of India, Nepal, Maldives, Pakistan, Bangladesh, Bhutan, and Sri Lanka, has had many multilateral meetings since a regional organization was first proposed by the late President of Bangladesh Ziaur Rahman in 1981 and has achieved some success in cooperation on noncontroversial issues such as meteorology, agriculture, health, and cultural affairs. Security issues, border disputes, water sharing, and other sensitive matters, however, have been deliberately excluded. The first SARC summit meeting will probably be held later this year, but we do not believe any major breakthroughs will be achieved.

New Hope?

India's predominance in the South Asian region—politically, militarily, demographically, and economically—has meant that SARC finds itself with little room for maneuver unless India agrees. With the assassination of Indira Gandhi—who was always less than enthusiastic about SARC—and the higher priority Rajiv Gandhi has given to better regional relations, the smaller states see a chance for a more positive Indian role in SARC. In addition, we believe the leadership in Pakistan feels somewhat more self-confident about dealing with India after its recent electoral success.

How It Works

SARC members have agreed to avoid two major pitfalls of other regional associations: political issues and bilateral disputes. Virtually every country in SARC has a dispute with India, ranging from water sharing to nuclear arms production to support for insurgent groups. The region is also filled with historical enmities and memories of old wars. The

prohibition against raising bilateral issues has worked fairly well at previous foreign ministers' meetings,

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[redacted] Ironically, [redacted] many bilateral issues get a fairer and less public airing in the inevitable "corridor chats" on the margins of an SARC conference. The opportunity to set up a small ASEAN- or EC-style "foreign ministers' club" seems to be proving irresistible. For instance, Foreign Secretaries Bhandari of India and Naik of Pakistan are old school friends, and both claim privately they enjoy the opportunity SARC meetings provide to talk out of the media spotlight.

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SARC members have also avoided introducing divisive trade issues. India's industrial and technological superiority over its small neighbors has traditionally made them fear efforts to dismantle trade barriers.

SARC working committees have instead restricted their efforts to politically neutral self-help projects in:

- Telecommunications.
- Agricultural research and rural development.
- Meteorology.
- Health and population studies.
- Transport and civil aviation.
- Postal services.
- Science and technology.
- Sports, arts, and culture.

[redacted] the fact that SARC members can identify and discuss cooperation on such noncontroversial issues is a hopeful sign. At the most recent meeting of SARC foreign secretaries in the Maldives in February, all members agreed to double their budgets for the nine existing SARC working groups, to expand their data exchange

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NESA NESAR 85-008
29 March 1985

Secret

capabilities, and to avoid overtaxing budget resources by tackling new problems.

On the economic front, several SARC members already have links with international lending bodies such as the IBRD, Islamic Development Bank, and Asian Development Bank, and there is hope that the members of SARC can begin addressing these lending bodies with one voice rather than as individual and potentially competing cases.

Summit Meeting

In May, the seven states' foreign ministers will meet in Bhutan to set the agenda for an unprecedented regional summit meeting later this year in Dhaka. SARC proponents hope the summit will establish a secretariat and decide on a location for a permanent headquarters.

Except for Sri Lanka, the SARC members believe there is a need to set up a regional bureaucracy to facilitate SARC business. Other items to be discussed include: drafting a summit declaration, or even a charter formally establishing SARC as a regional entity, and creating a timetable for meetings of SARC members at both the foreign minister and heads-of-state level.

Bilateral Differences Cloud Outlook

Fears of Indian dominance continue to color SARC discussions.

[Redacted]

[Redacted] President Zia considers Indian rhetoric in the postassassination period to be "positive," but he recognizes that forward movement on thorny bilateral issues is not likely in the near future. Pakistani and Indian officials in their talks with US officials, however, have emphasized that a SARC summit and an institutionalized regional organization would provide them with an ideal opportunity for informal bilateral discussions on troublesome issues.

Bangladesh-Indian relations also suffer from Dhaka's complaints about patronizing Indian political behavior, [Redacted] Bangladesh Foreign Secretary Chowdhury noted to

US Ambassador Shaffer recently that there are several outstanding bilateral issues with India, including land and sea border claims and water sharing, which the Bangladesh Government "cannot ignore." Bangladesh hopes SARC formalization will increase bilateral communication within the region.

Bilateral problems make substantial progress on major issues unlikely, but the momentum that the South Asian states have already achieved on noncontroversial projects will probably be maintained.

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The Afghan Resistance and the Muslim Brotherhood

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The Afghan resistance fundamentalist alliance¹ is closely linked to the Muslim Brotherhood, the international Islamic fundamentalist movement. The movement, whose goal is the installation of Islamic governments in all countries in the Middle East including Afghanistan, has followers in most Muslim countries and in Europe and the United States. Radical elements of the movement, which was founded in 1928 by a young Egyptian schoolteacher at Al-Azhar University in Cairo, were influential in the overthrow of Egyptian King Farouk and the assassination of President Sadat.

The Muslim Brotherhood appeals to young, educated Muslims who have little sympathy with socialism, Marxism, or capitalism, yet find the views and values of the traditional Islamic clergy out of date. As a consequence, in the Arab world, the Brotherhood often finds itself at odds with established Islam and the orthodox clergy. Nonetheless, it has generally had the support of the governments of the Gulf states, including Saudi Arabia, Kuwait, Bahrain, and the United Arab Emirates.

Strong beliefs in the Prophet Muhammad, the Koran, and the Sunna and a strong opposition to corrupt governments and Eastern or Western imperialism are at the heart of the Brotherhood and other fundamentalist groups. Members are generally militant and highly committed to their principles, although the degree of extremism varies from country to country.

The Afghan Fundamentalists and the Muslim Brotherhood

The Afghan fundamentalist movement has its modern roots at Kabul University, where many of its followers were faculty or students. The religiously oriented

students and faculty began to organize largely in reaction to the activities of the Marxist groups that dominated the university in the late 1960s and early 1970s. Many of the students came from the Department of Engineering—Hizbi leader Gulbuddin was an engineering student. Much of the faculty leadership came from the Department of Theology. The religious students quickly began to develop connections with resurgent Muslim movements in other countries—connections that continue today.

Most of the departments at Kabul University began with financial and technical assistance from Muslim countries, particularly Egypt. The Department of Theology was aided by Al-Azhar University in Cairo. Afghan students at Al-Azhar returned to Kabul University as faculty, and Egyptian professors came to Kabul University to teach. Several Afghan fundamentalist leaders, including Sayyaf and Rabbani, studied at Al-Azhar, as did Mojadedi, one of the moderate leaders.

The Afghan fundamentalists now receive considerable financial assistance from the Gulf states, in part because of the Egyptian connection. The Brotherhood was spread to the Gulf by Egyptian and Sudanese members who held important educational, military, and administrative posts in many of the Gulf states.

The Afghan students also had connections with Persian fundamentalists at Qom, Iran. Many of the works of fundamentalist thinkers were translated at Qom from Arabic into Persian, a language that most educated Afghans can read. Although the Afghan fundamentalists come from the Sunni tradition and do not agree with the Shiite ideology of Iran, the fundamentalists have maintained ties to Tehran and may receive Iranian assistance. Gulbuddin, the most

¹ The fundamentalist alliance consists of the Gulbuddin and Yunus Khalis factions of Hizbi Islami, the Jamiat-i-Islami, and the Harakat-i-Inqilab-i-Islami groups, based in Peshawar, Pakistan.

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NESA NESAR 85-008
29 March 1985

Secret

powerful of the present fundamentalist leaders, emerged from a student organization with ties to Iran and has traveled there.

The Jamiat

Another important Afghan foreign connection is with the religious parties of Pakistan, especially the Jamiat-i-Islami, which has close ties to the Muslim Brotherhood. The Jamiat is currently in the good graces of the Zia government; its leader, Mian Tufail Mohammad, is a relative of Zia. Through the party's association with the Brotherhood, it serves as a conduit for the distribution of money and arms for Afghan insurgent groups. Jamiat connections with the Pakistan Government allow the party to impede efforts by moderate leaders seeking to travel to Saudi Arabia and Egypt to raise money, while smoothing the way for fundamentalist leaders to do so.

Jamiat-i-Islami and fundamentalist groups in other countries influence the flow of arms to the Afghan guerrilla organizations and may also influence day-to-day insurgent operations. [redacted] they have:

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- Provided political advice to the fundamentalists. Several members of non-Afghan fundamentalist groups advise the executive council of the fundamentalist alliance in Peshawar. These include Mian Tufail Mohammad, leader of Pakistan's Jamiat-i-Islami; Abdullah al-Mutabai of Kuwait; and Abdur Rahman al-Judar of Bahrain.

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- Influenced Afghan guerrilla strategy. [redacted]

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- Publicized the Afghan fundamentalist cause in the Arab world, making it easier for the fundamentalists to get funds there.

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Middle East: Growing Student Fundamentalism

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25X1 The popularity of Islamic fundamentalist views on many university campuses in Egypt, Morocco, Tunisia, and the West Bank has increased markedly in the current academic year.

25X1 Islamic groups have emerged as the dominant political force among students. As many as a third of the students have adopted outward signs of Muslim piety. Beards, turbans, and long robes are common for men; long skirts, scarves, and veils are worn by women. Central governments and university administrations are following a nonconfrontational policy toward the campus Muslim activists, thereby denying the militants a focus for their hostility, but the appeal of fundamentalism on the campuses would strengthen should a charismatic leader emerge or a government crackdown provide the fundamentalists with a dramatic rallying point for their cause.

Appeal and Motivations

25X1 In our view, the student fundamentalists believe that a more Islamic government will be the panacea for their problems. Driven by their cultural and economic frustrations, they are true believers in their cause.

25X1 We believe that the image of the Iranian revolution, though tattered, still appeals to Middle Eastern youth. Most of today's university students, impressionable youths when Khomeini seized power in 1979, carry a romanticized image of the revolution and see it as a model for Islamic student movements.

25X1 Many students in the Middle East see fundamentalist Islam as a weapon to strike out against the forces—chiefly Western influences—that they believe have caused cultural decline in the Arab world. Western music, movies, sexual mores, and alcohol use are constantly criticized.

25X1 Reports by scholars in the Middle East indicate Muslim militants are concentrated among lower-middle-class students in the schools of business, medicine, sciences, engineering, education,

and law. In Egypt, where examination scores determine placement in professional schools, fundamentalist students are among the nation's brightest students.

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Middle Eastern fundamentalist student groups commonly demand:

- Mandatory religious instruction.
- Interrupting classes for daily prayers.
- Removing secular and Western study materials.
- Eliminating Western-style cultural events.
- Replacing secular faculty with professors who exhibit Islamic piety.
- Segregating sexes at all university activities.

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Economic Frustrations

The prospect of a bleak future is a common theme heard on Middle Eastern campuses and helps explain the growing susceptibility of students to Islamic solutions:

- Moroccan students believe that they will be educated but unemployed. They also fear that King Hassan's educational reforms will reduce educational opportunities.
- Many unqualified Tunisian youth, faced with 30-percent unemployment, flock to universities where they are further frustrated by academic failure.
- Egyptian students claim that the stagnant economy coupled with the government's economic austerity program have darkened their employment possibilities.
- In Israel, economic stagnation and Tel Aviv's policy to limit construction and other projects on the West Bank combine to reduce employment opportunities for the Arab graduates of West Bank universities.

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Regional Campus Scene

Egypt. Egyptian fundamentalists—quiet since the crackdown following Sadat’s assassination—are now the dominant political force on campus:

- At Cairo University, Islamic groups won most of the seats in the student elections in December 1984 in the schools of commerce, engineering, medicine, and the teachers college. They also emerged with a majority of the seats on the student councils and the top two positions in the student government.
- Fundamentalists swept the elections at Alexandria University and won a majority at al-Minya University in upper Egypt.

- [redacted] at Asyut University in the south [redacted] candidates linked to the Muslim Brotherhood and other religious groups did well in the student council elections, particularly in the school of commerce. [redacted]

Fundamentalists are increasingly assertive in their demands that university administrations allow religious activities banned by President Sadat in 1979. At Asyut University in late February, Islamic militants physically and verbally harassed the vice dean of the business school when he unsuccessfully attempted to stop a fundamentalist student from delivering a prelecture invocation, [redacted]

[redacted] Also in late February, about a thousand students peacefully demonstrated at Cairo University against the last-minute refusal to allow a speaking appearance by Muslim Brotherhood leader Omar Talmassani. The demonstration attracted fundamentalist students from Al-Azhar and other local schools. [redacted]

The Egyptian authorities’ strict, but nonconfrontational approach on university campuses tends to remove a focal point for student frustrations. US Embassy sources contend that in the recent student council elections security officials disqualified a number of potentially troublesome candidates and refused to allow debate on sensitive political issues. Police interference, however, was not so blatant as in the past. [redacted]

West Bank. The growth in Islamic fundamentalism on university campuses on the West Bank has challenged the dominance of Palestinian nationalism and threatens to become a rallying point for anti-Israeli activity. In the past the fundamentalists usually backed Arafat supporters against more secular leftists, but now they only reluctantly back Arafat as the lesser of two evils. [redacted]

The polarization between Muslim fundamentalists and secular Palestinian nationalists is most evident at An-Najah University, the West Bank’s largest university. According to the US Consulate in Jerusalem, one-third of An-Najah’s 3,000 students are avowed fundamentalists, and as many as 70 percent are sympathizers. [redacted]

An-Najah fundamentalists use their support among the townspeople of Nablus to intimidate faculty and political rivals. Last July, clerics in several Nablus mosques condemned five secular nationalist professors in their Friday sermons following classroom disputes with fundamentalist students. In addition, leaflets were distributed throughout the West Bank accusing the professors of atheism and sexual immorality. Another professor was attacked for giving high marks to qualified coeds while refusing to give “extra credit” to fundamentalist male students for their activist piety. Such preferential grades are sometimes given by sympathetic faculty, according to the Consulate. [redacted]

Israeli authorities on the West Bank have hoped that Islamic fundamentalism would undermine support for the PLO. The anti-Israeli activities of fanatic Muslim terrorists in southern Lebanon, however, may force the Israelis to reconsider this strategy before many more Arab students turn to radical Islamic leaders for political guidance. [redacted]

Tunisia. Increased fundamentalist militancy at the 30,000-student University of Tunis reflects renewed Islamic activity throughout the country, according to the US Embassy. Fundamentalist students belong to a

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number of small groups that generally sympathize with Khomeini's Iranian model. The fundamentalists want the university run by Islamic rules and demand representation in the university administration and in the Ministry of Education. They use university issues, such as examinations and housing, to launch criticism of contemporary Tunisian society and government policy. According to the US Embassy, the avowed pro-Khomeini students belong to a shadowy organization called the Islamic Liberation Party.

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The Tunisian Government characterizes the fundamentalists as agents of Khomeini or Qadhafi. Tunis also charges that fundamentalist activities appear to exceed what their domestic financial resources could afford. Government accusations have hardened attitudes between the authorities and the fundamentalists, contributing to the latter's uncompromising positions in disputes. The Libyan-backed *Mouvement de la Rassemblement Nationaliste Arabe* is trying to cash in on the current appeal of fundamentalism, but it does not have a significant following, according to the US Embassy.

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Authorities have responded to Islamic militants' activities by trying to diffuse their demands and by supporting nonfundamentalist students. The Ministry of Education is willing to accept student participation on university policy questions and is pursuing the Arabization of the curriculum. The government hopes that socialists, leftists, and faculty representatives on policy committees will dilute fundamentalist influence on campus.

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Morocco. Although bleak employment prospects have not produced open protest so far, they have contributed to the sharp rise in radical fundamentalist sympathies, according to the US Embassy in Rabat. Student fundamentalists heckled representatives from moderate Arab states at a colloquium in Rabat in mid-December and proclaimed the glories of the Iranian revolution when a representative from Iraq rose to speak, according to the US Embassy.

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The Moroccan Government has taken care not to overreact to the student fundamentalists. They have, however, proceeded with their program to replace French with classical Arabic (as opposed to the quite

distinct Moroccan Arabic dialect) as the language of government and education. The US Embassy believes that the Arabization program is a useful political weapon to undercut radical fundamentalism.

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Prospects

We believe that the appeal of Islamic fundamentalism on Middle Eastern campuses will continue to grow as long as the root causes—a bleak economic future, dominance of Western culture, a blurred Arab identity, and the unresolved Arab-Israeli situation—remain. Moreover, fundamentalism will be strengthened as Khomeini, the Iranian revolution, and Islamic militancy become a romanticized part of Islamic folklore. Graduating students will carry much of their fundamentalist beliefs with them into the workplace—in government, the professions, and industry. We believe they will provide a potential pool of financial and political support for militant, antiestablishment Islamic organizations.

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Unless a charismatic leader emerges, student Islamic groups will most likely remain divided and politically weak. Although they admire Khomeini, we judge that there is no single organization, such as the Muslim Brotherhood, that controls or links the student groups together.

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We believe that the nonconfrontational approach taken by Middle Eastern governments tends to rob fundamentalists of a specific target for their frustrations, at least for the time being. In seeking a clearer enemy and to gain more sympathy for their cause, radical student groups are likely to become more active in hopes of provoking harsher government reactions.

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Dubai: Maverick of the United Arab Emirates [redacted]

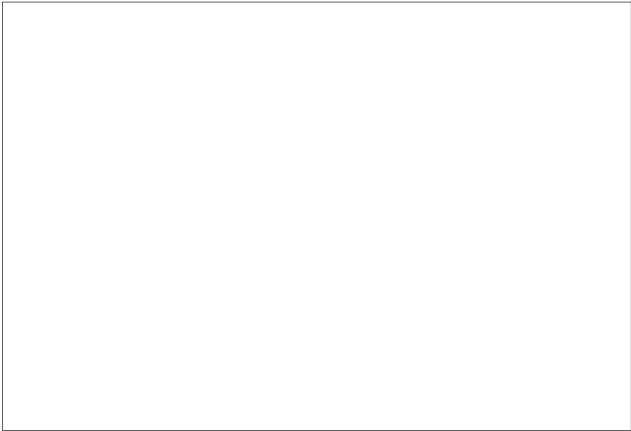
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Dubai—second to Abu Dhabi among the United Arab Emirates in size and wealth—is the most independent emirate within the UAE federation. It has a long tradition as a bustling and autonomous trading center developed as one of the British-protected Trucial States.¹ Despite its wealth, Dubai refuses to pay its full share of federation expenses, forcing the emirate of Abu Dhabi to bear the brunt of federal costs, including support for the nonoil emirates, and to absorb the federation's OPEC-mandated oil production cutbacks. In contrast, Dubai produces oil at near capacity and derides Abu Dhabi's oil recession. These differences have been a constant source of friction in federation politics and have caused long delays in the preparation of federal budgets. [redacted]

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which imports alumina and produces annually about 150,000 tons of aluminum ingots worth about \$180 million. [redacted]

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Oil Strengthens a Long Commercial Past

Dubai has emerged from a gold-smuggling past to become an oil-rich city-state that serves as the headquarters for many trading companies doing business in the Persian Gulf and beyond. [redacted]

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[redacted] The largest component of Dubai's output is the petroleum sector—crude oil and liquefied petroleum gas— [redacted]

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[redacted] Crude oil production in 1984 of 351,000 barrels per day (b/d) yielded gross oil revenues of approximately \$3.5 billion. Services earnings—trade, finance, insurance, and ship repair—make up the next largest component. Industry is limited to the Dubai Aluminum Company,

Dubai's Independent Petroleum Policy

Dubai has suffered the least of the Persian Gulf producers from the soft oil market because OPEC production guidelines and cutbacks for the UAE have been borne by Abu Dhabi. Dubai does not believe that it must uphold the federation's OPEC role. Crude oil production in Dubai has held steady at about 350,000 b/d since 1978, except for a slight drop to 327,000 b/d in 1983. Current production of 360,000 b/d, if sustained, would yield gross crude oil revenues of \$3.6 billion for 1985 at current prices. If prices fall, however, Dubai's oil revenues will decline because it lacks the excess capacity needed to raise output. [redacted]

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Dubai also produces small quantities of liquefied petroleum gas and condensate for export and uses natural gas—both associated gas from crude oil fields and nonassociated gas from the newly developed

¹ The Trucial States included Bahrain, Qatar, Abu Dhabi, Dubai, Sharjah, Fujayrah, Umm al Qaywayn, Ras al Khaymah, and Ajman. With the British departure in December 1971, Bahrain and Qatar chose separate statehood, while the seven other shaykhdoms joined together as the United Arab Emirates. [redacted]

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onshore Margham field—for domestic consumption. The Dubai aluminum smelter, several water desalination plants, and electric power plants are consuming all available gas. [redacted]

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Development Effort

[redacted]

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[redacted] estimates for Dubai budgets through 1983 indicate that the government takes slightly less than 50 percent of gross oil revenues to fund official spending. For example, in 1981 when gross oil revenues peaked at \$4.7 billion, reported government oil revenues hit \$2.2 billion. After gross oil revenues are first reduced by the earnings and expenses of Dubai Petroleum Company, the remaining revenue is allocated by the ruler, Shaykh Rashid, between the government and his office. This personalized budget system allows Shaykh Rashid to directly control any surpluses, which probably are considerable. For example, the ruler has personally guaranteed many project loans and even prepaid a \$419 million Lloyds Bank loan for the Dubai aluminum smelter in 1981. [redacted]

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This city-state emirate was a continuous construction site between 1969 when oil first flowed and 1983 when most infrastructure projects were completed. Although the emirate does not publish expenditure data, estimates by local observers suggest that cumulative government expenditures for nonoil and gas development projects during the past five years were about \$6 billion. Infrastructure development—electricity, ports, airports, roads, and the drydock at Jebel Ali—took top priority. [redacted]

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Dubai: Hospital and Parking Lot for Ships

Dubai's large drydock at Jebel Ali, equipped with state-of-the-art repair facilities, has benefited from the Iran-Iraq war. Tankers, freighters, and other vessels attacked by Iranian and Iraqi aircraft in the Persian Gulf are repaired in Dubai. Moreover, tankers and freighters await commercial charters in the 64-berth storage complex at Jebel Ali. Many are being chartered by the Iranian Government for hazardous convoy services to the northern Gulf, according to the US Embassy. Recently, Tehran purchased two very large crude carriers laid up in Dubai and is negotiating to buy additional tankers for its oil shuttle service from Khark Island to less vulnerable terminals at Lavan and Sirri Islands. Once the war ends, there will be a surge of port and drydock activity because both Iraq and Iran will need all types of reconstruction supplies and vessel repairs. [redacted]

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Shaykh Rashid's approach to emirate development was to pay for the infrastructure and then encourage private-sector activity that could use it. As a result, tiny Dubai has the busiest airport in the region; a Gulf port capacity that is second only to Dammam, Saudi Arabia; repair and berthing facilities for vessels ranging from tugs to ultralarge crude carriers (see inset); and advanced telecommunications facilities available throughout the emirate. [redacted]

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The Dubai Traders

Dubai promotes free trade far more aggressively than the other emirates and has a sophisticated merchant community willing to do business with anyone. Ideology is dismissed as irrelevant to business, according to the US Embassy, reflecting Dubai's long maritime tradition, history of gold smuggling, and reputation as an entrepot. The Embassy also reports that, within Dubai, it is alleged that Shaykh Rashid and his trading proteges were involved in drug smuggling in the 1970s and arms smuggling in the 1980s. US Embassy sources in Kuwait and Abu Dhabi have noted that Dubai traders see nothing

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The Dubai Connection to Iran

Dubai has maintained its historical position as a leading trade partner of Iran despite the UAE's membership in the pro-Iraqi Gulf Cooperation Council. According to US Embassy reporting, if the Iranians wish to increase their commercial presence and activities, Dubai will welcome the business, and the UAE Government cannot block such a development. Indeed, the Embassy reports that the already large Dubai-Iran trade flow is increasing, and this may explain why Iran has not aimed its anti-GCC rhetoric at the UAE. [redacted]

immoral in such trade—any commodities are to be traded at a profit to anyone willing to acquire them.

[redacted]

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In recent years Dubai traders have been most active in the import and reexport of conventional commodities rather than gold, narcotics, or arms. Leading customers are Saudi Arabia, Pakistan, and Iran (see inset). In 1983 reexports nearly doubled from the 1982 level to reach \$1.4 billion. This was equivalent to 40 percent of Dubai's gross oil sales that year.

[redacted]

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[redacted] dramatic increases took place last year as well, despite the general recession in the Gulf. Major commodities reexported include foodstuffs, livestock, tobacco and cigarettes, fuels, chemicals, cars, transport equipment, industrial machinery, and other manufactured goods. [redacted]

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A few merchant families dominate this trade and its financing. For example, one of the foremost Dubai traders for many years has been Shaykh Rashid's protege Mahdi Tajir, the UAE Ambassador to the United Kingdom since 1972. He is a Bahrain-born Shiite Muslim of Iranian extraction who believes that Islamic fundamentalism is a threat to Dubai.

[redacted]

According to US Embassy reporting, his influence in Dubai is on the wane, however, because he is detested by Shaykh Rashid's heirs and by the rest of the merchant community. [redacted]

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Other major Dubai traders include:

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- The Galadari family, of Iranian origin, [redacted] has diversified into hotels, banking, and other services. One brother, Abdel Wahab, operates independently

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Trade with Iran has suffered cyclical swings linked to Iranian regulations. In late 1983, for example, Tehran severely curtailed allowable imports by Iranian citizens returning from abroad. This measure induced a temporary trade recession in Dubai until the restrictions were relaxed in early 1984, according to the press. Press reporting further indicates that protests from the UAE's Iranian community to the Iranian Commerce Ministry influenced Tehran's reversal. This year, Iran's increasingly tight foreign exchange situation probably will again limit Dubai's trade. [redacted]

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from the rest of the family and was jailed for debts after the Dubai government bailed out his overextended Union Bank of the Middle East in November 1983.

- The *al Futtaym* heads the largest UAE conglomerate involved in trade, banking, and real estate. The *al Futtaym* Group is also Dubai's connection to Japan and owns UAE-wide agencies for Toyota, Honda, Toshiba, Sanyo, and Seiko.
- Issa Salih *al Gurg*, an active supporter of Arab causes despite his Iranian origin. He is the Dubai agent for several US firms as well as the representative for Siemens, Grundig, and other European companies. He is also an adviser to the British Bank of the Middle East. [redacted]

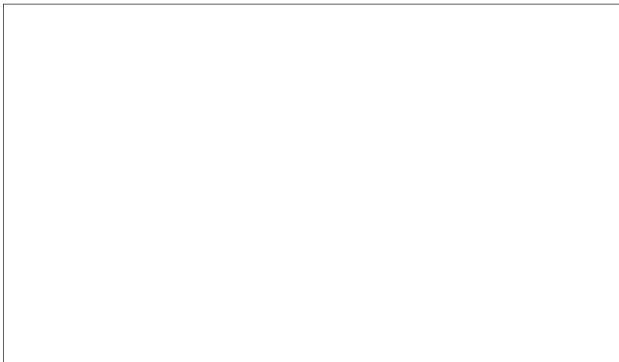
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Dubai's Independence Within the UAE

Dubai's independent position within the federation on oil matters is mirrored in other areas as well. Dubai contributes as little as possible to the UAE Government, leaving Abu Dhabi to provide most financial, political, and other support. In principle, Abu Dhabi and Dubai are supposed to turn over 50 percent of their revenues to the federal government. In fact, Dubai paid nothing until 1980, when it contributed \$811 million. Dubai claimed this represented 47 percent of Dubai's spendable revenues. Dubai's unwillingness to contribute has frequently caused federation fiscal crises. According to US Embassy reporting, the 1984 UAE budget was delayed for several months until Abu Dhabi finally agreed to provide \$3.5 billion of the \$4.1 billion federal budget to ensure federation unity. Dubai—which had held back its payments—agreed to only a \$545 million contribution. [redacted]

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Dubai's insistence on its autonomy is deep rooted, stemming from its free trade history. Dubai only agreed to join the federation after its conditions for autonomy were met. Dubai was a wealthy and sophisticated trading center before oil was discovered, whereas Abu Dhabi had been a poor colony of nomadic herdsmen and fishermen. Although Abu Dhabi has the leading role in ruling the UAE, Dubai's leaders tend to regard the Abu Dhabians as primitive nouveau riches who inflate the federal budget with exorbitant patronage for themselves. Thus, Dubai wishes to finance only those federal items that require spending within Dubai's borders. [redacted]

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Outlook

Dubai's autonomous stand has been a major barrier to closer integration within the federation. We see little chance that Dubai's position will change even after the death of Shaykh Rashid, who is in his seventies [redacted] His heirs, however, may adopt a more cooperative tone. A united UAE is important for external security, which is critical to Dubai's future. Moreover, if Abu Dhabi offers Rashid's heirs a broader role in the federal government, we believe they would support more federal activity, while seeking greater control over federal (read Abu Dhabi's) funds. Nonetheless, commercial acumen is part of the Dubai ruling family's long-held claim to legitimacy, and we doubt that subsequent rulers will relinquish Dubai's freedom to pursue its economic interests. [redacted]

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