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**Near East and
South Asia Review**

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16 August 1985

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**Near East and
South Asia Review** [redacted]

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Articles

India: Growing Opportunities for Technology Diversion [redacted]

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[redacted]

India is likely to offer an increasingly attractive target for Soviet science and technology collectors in the years ahead. Although India apparently intends to protect sensitive US technology under a Memorandum of Understanding signed last year, New Delhi will be hard pressed to offer the degree of security Washington expects.

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India: Untangling Textiles [redacted]

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[redacted]

Prime Minister Gandhi's new textile policy aims at increasing productivity, efficiency, and competition in India's largest industry and is another indicator of his determination to modernize the economy, but implementation will be difficult because of growing resistance by labor unions and small-scale powerloom weavers.

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India-Pakistan: Gunfire on the Glacier [redacted]

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[redacted]

Since April 1984 the Siachen glacier in northeast Kashmir has emerged as a major flashpoint between the Indian and Pakistani military, but both sides see the problem as containable and are not likely to allow it to escalate into a major confrontation.

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Pakistan: Seeking International Financial Support [redacted]

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[redacted]

Pakistan is seeking additional financial assistance from the US Government and the International Monetary Fund to avoid a foreign exchange crisis but is trying to avoid cutting government expenditures and imposing new taxes, as President Zia is unwilling to risk disapproval in the National Assembly and public unrest.

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Nuristan: Gateway to Northeastern Afghanistan



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Nuristan, a rugged area bordering Pakistan, is typical in many ways of the sparsely populated, remote regions of Afghanistan that are not strategic but which provide the insurgents with a safe source of supplies and transit, and the Soviets and Afghan regime are unlikely to seek military domination of the area in the near term.



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Iran: Exporting the Revolution Through Cultural Centers Abroad

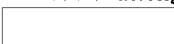


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Iranian cultural centers and Islamic societies abroad play an important role in the Khomeini regime's program to export the revolution. They have a major impact on local Muslim populations and present a serious challenge to the monitoring capabilities of host governments.



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The Hojatieh: Rightwing Opposition in Iran



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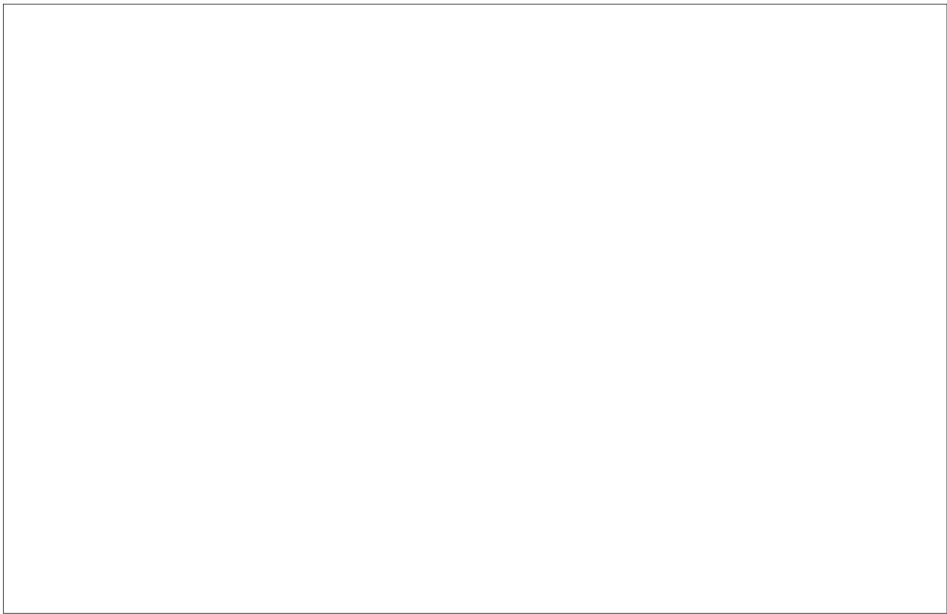
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The ultraconservative Hojatieh society has been an important source of opposition to Aytollah Khomeini's views and policies since the Iranian revolution. It is trying to get its nonclerical members into government positions to influence the struggle for power after Khomeini dies.



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Lebanon: War of the Camps

[Redacted]

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The Shia-Palestinian war of the camps in the southern suburbs of Beirut may have temporarily strengthened Amal chief Nabih Barri's position among mainstream Shia groups, but by evoking the hostility of Palestinians and other Sunni groups and increasing Druze and Christian concern about future Shia demands, it has sowed new seeds of conflict. [Redacted]

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Sudan: A New Role for the Communist Party

[Redacted]

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The Sudanese Communist Party has flourished in the open political environment since President Nimeiri's ouster. Even though it will probably support the victors in next year's elections to ensure its influence in the resulting government, it will continue to undermine rival parties and infiltrate the military to exploit any possible leftist coup. [Redacted]

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Corruption in Oman: The Seeds of Disenchantment

[Redacted]

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Corruption is not a serious political problem for Sultan Qaboos, but the issue has become a source of discontent for young Omani nationalists, and, if the Omani economy continues to decline and the Sultan does not curtail the excesses of long-favored advisers, the nationalists could form the nucleus around which opposition to Qaboos could crystallize. [Redacted]

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[Redacted]

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Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as noncoordinated views. [Redacted]

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Articles


India: Growing Opportunities for Technology Diversion

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India is likely to offer an increasingly attractive target for Soviet science and technology collectors in the years ahead. Prime Minister Rajiv Gandhi has introduced sweeping economic reforms that promise to encourage imports of sophisticated Western technology and boost India's ability to manufacture its own high-technology products. Faced with increasing difficulties in procuring Western high technology elsewhere, Moscow almost certainly anticipates reaping a bountiful harvest of controlled technology once New Delhi begins to import it. Although India apparently intends to protect sensitive US technology under a Memorandum of Understanding signed last year, New Delhi will be hard pressed to offer the degree of security Washington expects. 

modernize with new technology. New Delhi signed a Memorandum of Understanding on technology transfer with the United States last year—setting the stage for a takeoff in US high-technology sales—and several other Western countries are offering attractive technology packages to gain a foothold in India's burgeoning electronics market. 


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In addition, India's ability to produce indigenously high-technology items of interest to the Soviets is likely to increase significantly during the next decade. Gandhi is eager to make Indian high-technology goods competitive in world markets. The development of software for export, for example, is receiving particular emphasis. With an abundance of trained, English-speaking software engineers and low labor costs, India enjoys a comparative advantage in software production that it is only beginning to exploit on a large scale. 


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India as a High-Technology Target

India is poised for an unprecedented expansion of its technological capabilities. After decades of slow and uneven growth, India has built its heavy industrial infrastructure and is moving increasingly into high-technology areas such as electronics and computers. We believe the scope for such expansion is vast—India boasts a broad range of scientific activity and an impressive reservoir of technically trained manpower. Advanced technology is expected to play a central role in Rajiv Gandhi's program to modernize India by improving productivity and government efficiency. 

Although Western Europe and East Asia remain the primary focus of Moscow's efforts to acquire high technology, three major factors make India a potential source:

- India's large, active, and capable scientific community.
- The ease with which sensitive information can be acquired in a developing country with democratic traditions.
- New Delhi's close and longstanding relations with Moscow. 

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India's technological expansion poses a double challenge to the international trade control mechanism. Imports of controlled technologies will almost certainly increase significantly and offer opportunities for diversion. Gandhi has already liberalized key aspects of India's overregulated economy—including rules on foreign joint ventures and import/export policies—to fuel efforts to

Indo-Soviet Ties: A Special Concern

The USSR is uniquely positioned to acquire technology in India because of its close and longstanding relations with New Delhi. Although their relationship is based on a congruence of national

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interests and not ideological affinity, it allows the Soviets to maintain a large official presence in India that reinforces bilateral cooperation across a broad front—political, economic, military, and scientific—



India's nonalignment and Gandhi's preference for Western over Soviet technology have prompted New Delhi to adopt a more evenhanded approach toward the superpowers than in the past. Nonetheless, Gandhi cannot afford to jeopardize the significant economic and military benefits India receives from Moscow as he seeks new ties to the West. Despite recent attempts at arms diversification, India will continue to rely on the Soviets for most of its sophisticated weaponry for at least the rest of this decade.

For the Soviets, India's growing interest in expanded ties to the West and its quest for advanced technology present both a challenge and an opportunity. Soviet officials are aware that Moscow cannot compete with the West in satisfying India's growing appetite for high-technology goods.

Moscow is concerned that an increased Western share of the Indian electronics market will erode Indo-Soviet ties by undermining the Soviet contribution to India's economic development. On the other hand, hardening attitudes in the industrialized countries toward Soviet illegal technology procurement activities have forced the Soviets to seek alternative sources in the less developed countries.

Acquisition Mechanisms

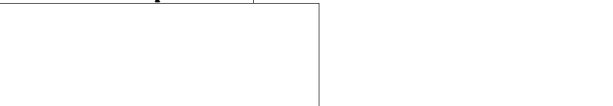
The Soviet Union acquires technology in India through a variety of mechanisms, including legal and illegal purchases, cooperation and exchange agreements. We have no evidence that formal trade agreements themselves promote illegal technology transfer. On the other

hand, well-established bilateral cooperation over a broad range of scientific disciplines enables Soviet scientists to profit from access to their Indian counterparts. Many scientists in India were trained in the United States and have retained informal contacts with colleagues—both US and Indian—in high-technology fields. We believe these contacts—which the Indian Government encourages—offer immense scope for technical data diversions that are almost impossible to monitor.

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We have persuasive evidence that some controlled US technology—mainly computer-related items such as software with both civilian and military applications—has been transferred by Indian firms and individuals to the USSR over the last decade. In our view, these transfers occurred without the approval of the Indian Government, although in some cases employees of government-controlled institutions have been implicated.

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Indian Security Practices

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Indian officials believe their security procedures are adequate to support assurances to the United States and to deny the Soviets access to Western technology within the government, the military, and public-sector enterprises. Indeed, over the past two decades, the Indian Government has demonstrated an ability to compartment and restrict access to sensitive technologies, especially at military installations. New Delhi is far less sanguine of its ability to prevent diversions through the private sector—where we believe they are most likely to occur—

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Good intentions aside, New Delhi will be hard pressed to offer the degree of protection Washington expects.

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Through improved licensing, enforcement, and security practices,

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however, India may be able to prevent actual diversions of hardware and equipment. [redacted]

requirements prove onerous. In the long run, we believe only a coordinated position by COCOM member countries on controlled high-technology exports to India will prove effective in limiting technology diversions to the USSR. [redacted]

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Protecting sensitive technical data will prove far more difficult. [redacted]

[redacted]

[redacted]

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[redacted] If

Soviet collectors can locate US equipment protected under the Memorandum of Understanding, we believe that in time they can almost certainly gain physical access to the machines and their technical data. [redacted]

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Perceptions and Prospects

We believe the Indian Government has become sensitized to US concerns about unauthorized diversions of sophisticated technology and is fully committed to upholding its security obligations under the Memorandum of Understanding. Both New Delhi and Indian private industry fear loss of access to US technology if illegal transfers occur and are discovered because they recognize the importance of high technology to India's economic development. Nonetheless, New Delhi is concerned about opening Indian operations to US inspectors. [redacted]

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[redacted]

Despite pledges to protect US technology as the price of acquiring it, we believe India would resist strongly any pressure from the United States to subscribe to international technology controls or to restrict exports of its own high technology to any country, including the USSR. Indian officials would resent such pressure as an attempt to undermine India's sovereignty, limit its freedom of action, and prevent it from challenging the West in world markets. [redacted]

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Although New Delhi clearly prefers US equipment and technology, some West European and Japanese suppliers are offering attractive alternative packages with favorable financing and fewer restrictions on use or reexport. [redacted] India would turn increasingly to these suppliers if US

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India: Untangling Textiles

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Prime Minister Gandhi's new textile policy, announced in June, aims at increasing productivity, efficiency, and competition in India's largest industry and is another indicator of his determination to modernize the economy. We judge implementation will be difficult because of growing resistance by labor unions and small-scale powerloom weavers. Even if fully implemented, the reforms will probably not prove a panacea for the industry's longstanding economic problems, but the improved regulatory environment is likely to gradually increase production and make Indian textile exports more competitive.

Economic Woes

Textile manufacturing is India's largest and oldest industry. It generated over 12 million jobs and accounted for over 20 percent of manufacturing production as well as 12 percent of exports in 1983-84. The industry is divided into three sectors composed of large integrated textile cloth mills, small-scale powerlooms, and handlooms.

Since 1970 textile production growth has been slow, averaging less than 1 percent per year compared to an annual rate of nearly 5 percent for manufacturing as a whole. We judge that the poor performance has been due to mismanagement, overregulation, antiquated technology, and rising wage and raw material costs.

The hardest hit sector has been the large traditional textile mills. Strikes, high wages, discriminatory taxation, and poor management have contributed to the closing of 72 mills. One study estimates that over 25 percent of the weaving and 15 percent of the spinning capacities of the remaining mills are uneconomical.

The older mills' problems have been complicated by the rise of powerlooms. First encouraged by the government as a means of developing small-scale enterprise, powerlooms now number an estimated 800,000 units and produce up to 45 percent of India's cloth, according to press reports. In our view, the

powerlooms have thrived because they face fewer regulations, pay lower taxes and wages, and can respond rapidly to market demand.

New Policy

In accordance with the Gandhi government's plans to modernize Indian industry, the new textile policy announced in June is aimed at increasing production, competition, and efficiency. The new policy is an outgrowth of earlier reforms that attempted a phased introduction of market forces into India's oldest industry. The new policy will:

- Gradually remove all curbs on the expansion of capacity, enable firms to close down unprofitable units, and allow mills to produce blends and synthetics to meet growing market demand.¹
- Eliminate preferential tax treatment between mills and powerlooms, lower raw material duties, and require registration of powerlooms.
- Facilitate imports of textile machinery and create a modernization fund to promote new investment.

Mixed Reviews

The textile industry's reaction to the new policy has been mixed. The mills have welcomed the reforms because their competitiveness will be enhanced with the reduction in discriminatory regulations. Press reports indicate that powerloom owners, on the other hand, are almost unanimous in condemning the new measures because they would lose many of their tax advantages and gain little protection, compared to the mill and handloom sectors.

India's powerful textile labor union leaders and union-backed politicians have also been critical of the policy, according to the press. A key union leader attacked the policy as "antilabor" because it encouraged mill closings and provided no relief for workers laid off during a bitter yearlong textile strike in 1982-83.

¹ The policy notes that workers whose jobs are lost by mill closings will receive compensation through a rehabilitation fund raised by a tax on the industry.

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Even though the government is committed to helping rehabilitate displaced workers, we judge that union leaders fear the new policy because it will probably lead to the loss of up to 100,000 jobs and a reduction in union influence.

Export Hopes

With growing foreign payments problems expected over the next few years, New Delhi hopes the new policy will lead to continued export growth. Since fiscal year 1970/71 (April/March) the value of garment exports, for which the United States is India's largest market, has increased at an annual rate of over 26 percent compared to nearly 9 percent for cloth exports. In FY 1983/84 textiles (garments and cloth) accounted for nearly \$1 billion in foreign earnings. Although the new policy indicates support for overseas market development, we judge that future export growth is likely to be slow—outside bilateral trade arrangements with the Communist countries—because textile quotas in the United States are nearly exhausted and price and quality problems will limit sales to Western Europe.

Outlook

In our judgment, the ability to implement the new textile policy will be a test of Prime Minister Gandhi's commitment to economic modernization. New Delhi will probably encounter stiff political pressure from textile unions and politicians who will oppose closings of uneconomic mills and powerlooms—particularly in the riot-torn state of Gujarat, where many unprofitable mills are in operation. When unemployment rises as a result of closings, the Gandhi administration will be hard pressed to refrain from resorting to bailouts and subsidies.

In our view, even if fully implemented, the new policy offers no immediate panacea for the textile industries' woes. The reforms will improve the regulatory environment but do little to eradicate longstanding problems like mismanagement, inadequate raw material supply, and energy shortages that stifle productivity. Retooling and increasing capacity in the antiquated mills will also take time and require substantial financing.

Over the long term we believe the reforms are likely to help the industry become more efficient and better able to meet growing domestic demand for blends and synthetics. A reduction of raw material duties is likely to increase the production of higher quality textiles and benefit farmers hurt by falling prices for fine quality long-staple cotton. Even if the textile industry becomes more efficient and competitive, a protectionist international environment and stiff competition are likely to limit Indian export growth.



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India-Pakistan: Gunfire on the Glacier

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Since April 1984 the Siachen glacier in northeast Kashmir has emerged as a major flashpoint between the Indian and Pakistani military. Both New Delhi and Islamabad see their national prestige at risk in the region, and their military planners consider experience in Kashmir valuable. Because of its remoteness and the severe local weather conditions, the disputed area has little strategic value. We believe that both sides see the problem as containable and are not likely to allow it to escalate into a major confrontation.

adjustment to the cease-fire line after the 1971 Indo-Pakistan war. The 1949 agreement traced the line "east to the glacier area" and "thence north to the glaciers." Given the area's remoteness at the time, this imprecision presumably was not considered a problem. After the 1971 war the cease-fire line was adjusted to reflect actual control when the fighting was halted. Since the war was fought in December, neither side was likely to have had sufficient forces on the glacier to require a more exact drawing of the cease-fire line.

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The Glacier Region

The Siachen glacier region, about 9,100 square kilometers, contains peaks reaching 7,600 meters, valleys at about 3,000 meters, and a rugged plateau averaging 5,500 meters above sea level. The plateau's high temperatures range from 4 degrees Celsius in summer to -26 degrees Celsius in winter. Icy winter winds often reach 240 kilometers per hour. Covered in snow and ice all year round and with low temperatures and scant precipitation, the plateau experiences little significant seasonal change.

Neither India nor Pakistan has a firm legal basis for claims in the area. Islamabad considers the cease-fire line to extend directly northeast from the last mutually agreed upon point near the town of Khor to the Karakoram Pass. New Delhi, possibly taking a cue from the "north to the glaciers" language in the 1949 agreement, asserts that the line runs due north from Khor—which would put about half the glacier on the Indian side. This imprecise arrangement seemed acceptable to both countries until recently.

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Except for a few small settlements in the Nubra Valley, the region is virtually uninhabited. No motorable roads exist in the disputed area, and only a few of the small number of trails are passable even by animal transport. The nearest major roadheads and airfields are about 130 kilometers away at Leh, in India, and Skardu, in Pakistan. Winter storms often block the roads to these forward bases.

Military Operations

Some time after the 1971 war, Islamabad established military observation outposts on the glacier and began to sponsor foreign mountaineering expeditions to the region. These tactics eventually secured international acceptance of Pakistani control over the area.

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What little strategic value the glacier area has lies in its passes, which though remote and not easily traversed, reach through the Karakoram Range into China. To Pakistan, these are potential support routes from an important ally. The Indians, therefore, consider denying Pakistani access to these passes to be a key strategic goal.

New Delhi did not directly contest the Pakistani actions until the Indian Army operations directorate saw maps of the region in reputable foreign journals showing it in Pakistan-occupied Kashmir. Indian patrols subsequently began appearing on the glacier, and fighting between the patrols and the Pakistani observation posts quickly followed. Eventually, the Indians decided to occupy the area.

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Disputed Claims

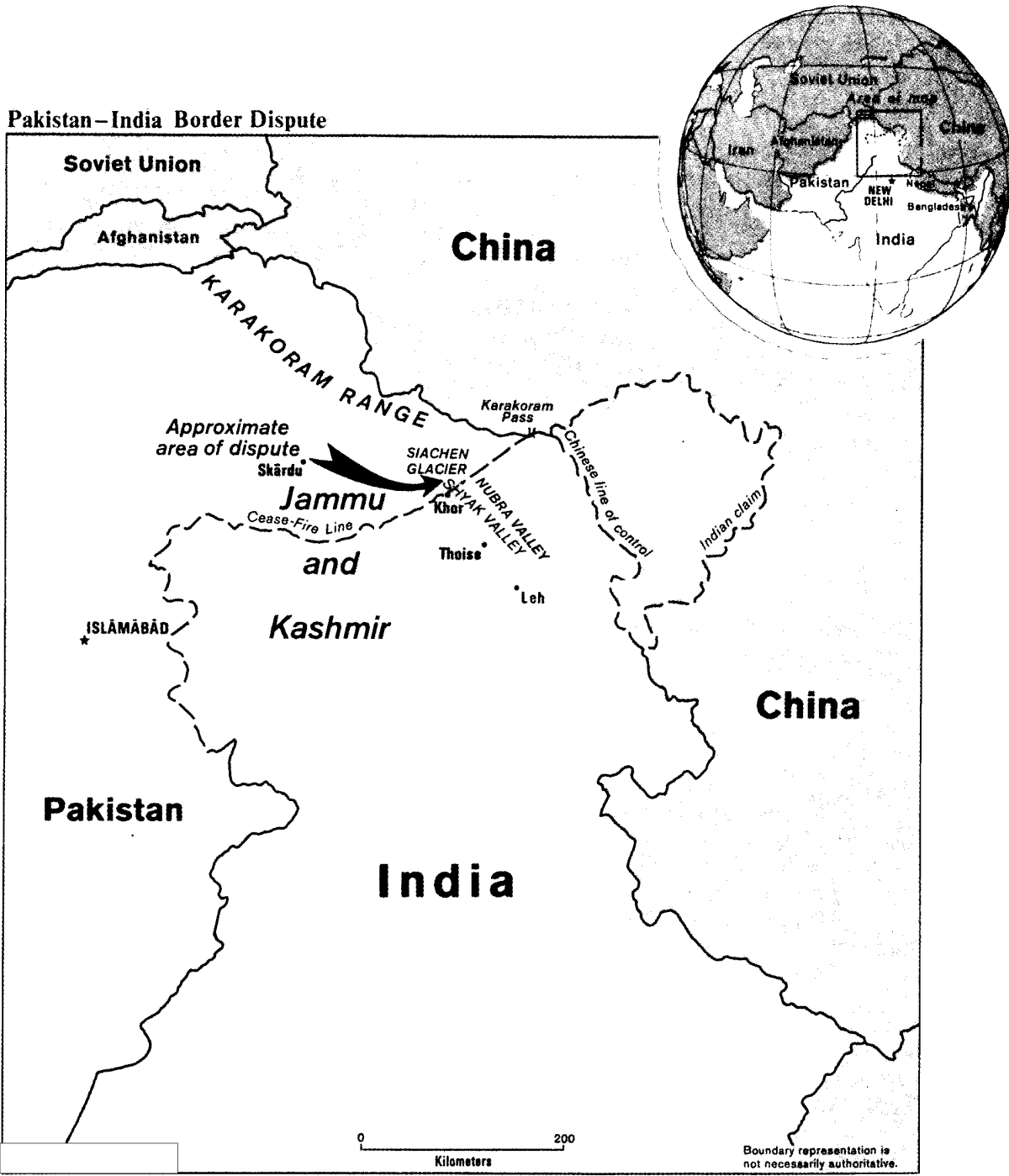
The glacier region was not specifically demarcated in either the 1949 Kashmir cease-fire agreement or the

Although both sides agree the current clashes began in the Siachen region in the spring of 1984, their

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versions of how they started differ. Pakistan claims that the fighting began when its troops moved to prevent the Indians from seizing some passes. India maintains that the first clashes occurred when the Pakistanis entered the disputed area and fired on an Indian patrol. The Indians quickly gained ascendancy in the region by seizing and occupying Pakistani observation posts. Indian forces now command the key passes on the glacier, and fighting seems to revolve around Pakistani attempts to dislodge them.

[Redacted]

The remote and forbidding area cannot sustain many troops or extensive operations. Support efforts often require hauling supplies, including artillery, piece by piece on pack animals and using helicopters pushed to their load and altitude limits. The nearest sizable Pakistani garrison is an infantry brigade based at Skardu. The headquarters of the nearest major Indian unit—the 3rd Mountain Division, which is oriented mainly toward China—is at Leh. The Indians appear able to use the small landing strip and minor facilities at Thoise, 50 kilometers closer to the glacier region than Leh, only during the short summer period.

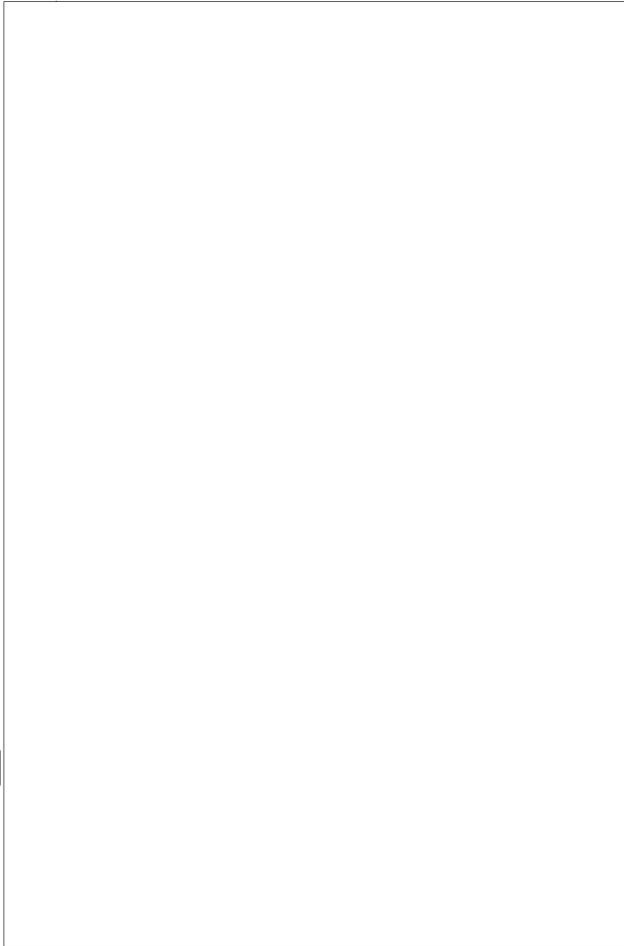
Combat on the glacier is infrequent and low in intensity. The fighting involves mostly small arms and indirect weapons fire

[Redacted]

Avalanches and cold weather injuries are far more serious threats. Operations are virtually impossible in the winter because of bitter cold and high winds, and they are extremely difficult and dangerous in warmer seasons because of crevassing and avalanches. Even small tasks, such as preparing defensive positions and laying minefields, become major endeavors on the stark and drifting glacier.

The Indians have established a forward base inside the disputed area, probably housing a brigade and a maneuver battalion along with artillery and other support elements.

[Redacted]



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Outlook

Neither India nor Pakistan are likely to allow occasional firefights to reach the point where they are not easily containable. For example, despite Pakistani claims that they control both the Shyok and Nubra valleys—both of which are more conducive to troop activity and allow better access to the disputed area—there is no evidence that combat has been extended into these areas.

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Moreover, neither side can support much more military activity on the glacier. Clashes in the area would only lead to heavier combat if both sides allowed the situation to spill over to other parts of the

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cease-fire line. In our view, neither side will allow that to happen in the foreseeable future.

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Both countries will, therefore, be likely to pursue military contact on the Siachen glacier within the strict limits of geography and climate. Although New Delhi may be eager to show, in one officer's words, "that it is no longer possible to gnaw at our farflung territories and then get away with no more than filibustery at the United Nations" and Islamabad probably sees its national prestige similarly challenged, neither side seems willing to risk heightened tensions or important agreements by allowing the glacier combat to expand.

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Pakistan: Seeking International Financial Support [redacted]

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Pakistan is seeking additional financial assistance from the US Government and the International Monetary Fund to avoid a foreign exchange crisis. At the same time, Islamabad is trying to avoid cutting government expenditures and imposing new taxes as proposed by Washington and the IMF. We do not believe President Zia is willing to implement major economic reforms because of the risk of disapproval in the National Assembly and public unrest. Without additional assistance, Pakistan probably would threaten to default on debt repayments and postpone payments due the United States for Foreign Military Sales (FMS) loans. [redacted]

By the end of June 1985, Pakistan's foreign exchange reserves declined to less than \$700 million from a peak of almost \$2 billion in December 1983. Reserves were equivalent to only about five weeks' imports. Government projections for the current fiscal year show a drawdown of only \$5 million even without new assistance, but we believe this estimate is overly optimistic. The government has left untouched \$600 million in gold reserves. [redacted]

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Dimensions of the Foreign Payments Problem

Pakistan's economic growth over the past seven years—averaging 6 percent annually in real terms, according to official statistics—has been outstanding by developing country standards. GDP growth for fiscal year 1985, which ended on 30 June, is estimated by Islamabad at a record 8.4 percent, despite a severe drought that cut hydroelectric power production earlier this year, which in turn led to layoffs and cutbacks in industrial production. Low river flows and the lack of snowmelt could lead to shortfalls in key cotton and rice crops, as well as another severe power shortage next spring. [redacted]

We estimate Pakistan suffered a record trade deficit of about \$3.6 billion for the fiscal year ending 30 June. Exports were hampered by the lingering effects of the poor cotton crop a year earlier, stiff competition from other textile exporters, and low commodity prices. Expenditures for imports increased mainly because of higher foreign prices and increased purchases of wheat necessitated by two successive wheat crops that fell below domestic consumption. [redacted]

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The government's forecast of a more than \$400 million improvement in the trade balance for this fiscal year assumes a 16-percent increase in exports, based in part on substantially higher cotton prices, and no growth in imports. We believe, however, that world cotton prices are not likely to increase because of large stocks carried over from last year and a projected worldwide bumper crop this year. We are also skeptical that imports can be held at last year's level because of the adverse consequences for export-oriented industries and agriculture. [redacted]

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The current foreign payments problem had its origin about two years ago with a disastrous cotton crop and the beginning of a decline in remittances from overseas workers. The government, in its attempts to maintain the appearance of economic prosperity, avoided import and other spending cuts that would have mitigated at least some of the current troubles. Instead, Islamabad spent the foreign exchange reserves it had accumulated over several years—when worker remittances were growing—to “buy” economic stability and to modernize its military. [redacted]

Worker remittances in the last fiscal year were 12 percent below FY 1984 levels and \$500 million below the peak in FY 1983. The 8-percent drop in remittances the Pakistanis project for this year

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Secret**Pakistan: Balance of Payments ^a***Million US \$*

	1981	1982	1983	1984	1985	1986 ^b
Current account	-991	-1,610	-554	-1,028	-1,710	-1,535
Trade balance	-2,765	-3,450	-2,989	-3,334	-3,590	-3,185
Exports (f.o.b.)	2,798	2,319	2,627	2,668	2,540	2,945
Imports (f.o.b.)	5,563	5,769	5,616	6,002	6,130	6,130
Net services and transfers	1,774	1,840	2,435	2,306	1,880	1,650
Worker remittances	2,095	2,224	2,886	2,737	2,400	2,200
Long-term capital (net)	581	746	1,276	882	900	1,730
Gross disbursements	956	1,092	1,301	1,234	1,300	2,000
Amortization	516	492	386	542	550	555
Other	141	146	361	190	150	285
Other and short-term capital	772	629	390	-34	-30	-200
Financial gap	-362 ^c	235	-1,112 ^c	180	840	5

^a Fiscal year ending 30 June of the stated year.^b Pakistani Government projections.^c Surplus for the fiscal year.

probably is too low. Pakistani Government estimates [] indicate the net annual reduction in Pakistanis working abroad is at least 1 to 2 percent. [] some Pakistanis working in the Persian Gulf states are taking pay cuts of 30 to 40 percent []

Foreign debt service was about \$1.2 billion last year, up from \$800 million in 1981. The debt servicing requirements included at least \$100 million in interest payments on US FMS as well as repayment on other military debts. The commercial debt service probably will remain about the same, but repayments for military purchases probably will be nearly \$200 million this fiscal year. We believe Islamabad's planned military purchases will lead to a rapid increase in the estimated \$1.5 billion in military-related debt already accumulated. In addition, we do not believe repayments for the military debt are fully accounted for in the balance-of-payments data. []

Talks With the IMF, World Bank, and the United States

In early July an IMF team visited Pakistan to review Islamabad's request for a \$330 million Compensatory Finance Facility (CFF). Pakistan contended that low

cotton prices and other adverse external developments qualified it for a loan requiring only minimal conditionality. During subsequent discussions with the IMF in Washington, Pakistani officials were told that a CFF would have to be nominal—less than \$100 million—because of an increase in cotton exports. Instead, Fund officials recommended a standby program of about \$350 million, contingent on acceptance of a major devaluation of the rupee and a \$625 million reduction in the government's budget deficit. An IMF team will visit Islamabad in early September to continue talks. []

World Bank officials also are proposing strict conditions on loans to Pakistan. Islamabad has been told that reforms will be required in the sectors where Bank funding is used. Progress on future industrial and agricultural loans also will depend on the outcome of talks with the IMF. Last year Pakistan borrowed \$600-700 million from the World Bank—the highest ever—and hopes to get at least as much this year. []

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The US Government has already made available to Pakistan about \$150 million for wheat imports. Some additional funds might be reprogramed, but there are few prospects for new direct balance-of-payments assistance. US officials endorsed talks with the IMF on a standby program and encouraged Pakistan to take steps toward economic reform. [redacted]

reserves by at least \$200 million over the next year (compared to a government projection of only \$5 million), a reduction that would force Islamabad to consider some critical and politically unappealing policy choices. For example, it might delay ordering part of the 1.6 million tons of wheat it plans to import to rebuild its stocks, or restrict imports of oil and electric-generating equipment needed to alleviate anticipated power shortages early next year. Under these circumstances, Pakistan probably would also threaten to default on debt repayments and postpone payments due the United States for FMS loans. [redacted]

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Political Implications

The economic problems underlying the deterioration in Pakistan's foreign reserve position could quickly translate into political problems for President Zia. Zia was able to maintain an atmosphere of domestic prosperity during the presidential referendum and the campaign for the national and provincial assemblies, but an exit poll taken during the assembly elections in February indicated that economic issues were the second-most-important concern of the voters, next to the implementation of an Islamic political-economic system. The population has become more aware of economic issues as a result of water shortages earlier this year, longer and more frequent power cuts, and fewer and lower paying new jobs in the Middle East oil-producing countries. In addition, financial constraints on government spending have led to cutbacks in education and routine infrastructure maintenance. [redacted]

We do not believe that Zia will implement major domestic revenue-raising measures because they would create political hazards. Although conditions set forth by the IMF are minor in scope compared to those faced by many developing countries, Zia is unlikely to risk general public unrest by supporting subsidy-reduction measures that will result in higher prices for food items such as wheat and cooking oil. Taxes on business and agriculture and increases in fertilizer prices are likely to face stiff resistance because they threaten the interests of the strong bloc of conservatives and landlords in the new assembly. The conservative former Finance Minister, Ghulam Ishaq Khan, retains considerable influence as chairman of the new senate. Cuts in defense spending would threaten the government's base of support in the military. [redacted]

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The government went out of its way to avoid popular focusing on the economy and contentious economic debate in the first session of the National Assembly by not calling for major reforms in the new budget. It backed off from proposing new taxes, offered more subsidies to the agricultural sector, and promised that there would be no supplemental budgets this year. [redacted]

Despite its impressive recent performance, Pakistan's economy is too weak to generate economic growth for a population of almost 100 million growing at 3 percent annually and still pay for expensive imports of military hardware. The longer Islamabad delays reforms needed to acquire aid, the more serious its economic and political problems will become. [redacted]

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Many Pakistani economic officials believe the government will not attempt to implement the conditions laid down by the IMF because of the risk of disapproval in the National Assembly and by the public. To satisfy Fund prescriptions, Pakistan probably would have to reduce government expenditures, including subsidies and possibly defense spending, and also introduce new taxes. [redacted]

[redacted]

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Outlook

We estimate that, without new aid or dramatic domestic belt-tightening, Pakistan will draw down its

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Nuristan: Gateway To Northeastern Afghanistan

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Nuristan, a rugged area bordering Pakistan, is typical in many ways of the sparsely populated, remote regions of Afghanistan that are not strategic but that provide the insurgents with a safe source of supplies and transit. The Nuristanis are politically independent and generally have remained outside the conflict between the Kabul regime and the insurgents.

The Liberation of Nuristan

Nuristan comprises the northern half of Konarha and Laghman Provinces in eastern Afghanistan. The area is inhabited by about 100,000 Nuristanis, one of Afghanistan's smaller ethnic groups. Most of the region is extremely mountainous and well forested, making it difficult for Soviet and regime forces to penetrate, although armored vehicles can enter the area's three main river valleys on primitive dirt roads.

The Nuristanis were the first ethnic group to take up arms against the Communist regime in Kabul after the April 1978 coup. They revolted after Kabul authorities executed the Afghan Interior Minister—the highest ranking Nuristani official in the Daoud government—and arrested local Nuristani government officials.

During the summer and autumn of 1978, they pushed the Afghan army and police out of the area's main river valleys.

A government effort to reconquer the region in late 1978 failed. The government organized a militia composed of about 20,000 neighboring Gujars (an Indian people originally from the Gujarat area of Punjab) and 15,000 Pushtuns—the Nuristanis' traditional ethnic rivals—and promised them that they could pillage Nuristani villages.

Reinforced by the regular army battalions, the militia pushed its way back into the main river valleys in October 1978 but was forced to retreat in the spring. Several ineffective bombing attacks by the Afghan Air Force against Nuristani villages failed to intimidate the area's inhabitants.

Portrait of the Nuristanis

According to Western academics, the Nuristanis—once considered to be descendants of the ancient Greeks—are now thought to be related to an earlier people from Central Asia. They tend to have lighter features and to be less repressive toward women than other Afghan ethnic groups.

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The Nuristanis were the last people to be conquered by the Kabul authorities. They were converted forcibly to Islam in 1895 by the King of Afghanistan, who changed the name of their region from Kafirstan (land of infidels) to Nuristan (land of light). The Nuristanis were treated well by the King and proved loyal subjects to him and his successors. Many rose to prominence in the government and military.

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The Nuristanis traditionally have been on poor terms with their southern neighbors, the Pushtuns and Gujars. According to Nuristani tradition, the Pushtuns seized most of the best land in the Konar-Kabul basin areas over the last several centuries and forced the Nuristanis into the back valleys and mountains. The Gujars, though less numerous than the Pushtuns, also have been competitors for land. Warfare between the Nuristanis and the Pushtuns was frequent until the Nuristanis' conversion to Islam in 1895.

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Independence From Conflict

Since the expulsion of the Afghan army, Nuristan has been important as an insurgent supply route.

Nuristan's main trails have been used by Tajiks as one of several routes to the Panjsher Valley and to northeastern Afghanistan.

Tajiks from Badakhshan have also used the Nuristan route more often since the Panjsher Valley offensive in late 1982 to export gems, which they sell in Pakistan to buy arms.

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The Nuristanis have sometimes harassed the Tajik insurgents but have not actively sided with Kabul. [redacted]

[redacted] Nuristani groups, who claimed they represented an independent Nuristan, were demanding transit fees from insurgents. [redacted]

[redacted] in 1985 that an important Nuristani leader, Mollah Afzal, permits the passage of supplies to Panjsher Valley leader Ahmad Masood but not to insurgents in Baghlan Province. [redacted]

Few Nuristanis have joined the regime's militia. The government funded Sanwar Nuristani, the former commander of the Kabul Central Garrison under Prime Minister Daoud, and sent him to northern Afghanistan in 1980 to raise a militia to interdict insurgent convoys. [redacted]

[redacted] Sanwar's militia disrupted several insurgent arms caravans and commandeered some of the lapis lazuli exports in 1980 but has not been a major obstacle since then. [redacted]

Kabul has recently renewed efforts to persuade the Nuristanis to join the militia. [redacted]

[redacted]

Little Activity Against Soviet and Afghan Forces

Nuristani insurgents have been active only in the upper Konar Valley, against the Afghan army outpost at Barikowt. [redacted] the most active commander was Jaliatullah Jalal, who began harassing the Afghan army outpost in 1981 with about 500 armed men and subsequently gained control of several villages south of the outpost. [redacted]

[redacted]

Other Nuristani insurgents have been inactive because they are far from Soviet and Afghan forces. With the exception of the upper Konar River Valley

in Nuristan, Afghan and Soviet troops are located only in the southern part of Konarha and Laghman Provinces in Pushtun areas. [redacted]

[redacted] tribal and ethnic divisions continue to handicap the Nuristanis. The two main insurgent leaders of the Nuristani interior, Mollah Afzal, the leader of the Kati tribal group of upper Nuristan, and Amin Anwar Khan, the leader of the Kam tribal group of lower Nuristan, have never cooperated extensively with each other or with Jalal in exchanging intelligence or in attacking Soviet or Afghan forces. The Pushtun Hizbi Islami leader in southern Nuristan, Mollah Rustam, has extended his influence because of this lack of unity. [redacted]

[redacted] the Nuristanis dislike the Pushtuns and do not want to risk their lives to help them. [redacted]

Outlook

Nuristan probably will continue to play only a minor role in the insurgency. The Soviets and Afghan Government are unlikely to seek military domination of the area in the near term because of its remoteness, rough terrain, and independent populace. Meanwhile, the region will remain important as one of several transit routes for the insurgents, especially the Jamiat. [redacted]

[redacted]

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**Iran:
Exporting the Revolution
Through Cultural Centers Abroad**

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Iranian cultural centers and Islamic societies abroad play an important role in the Khomeini regime's program to export the revolution. Tehran uses these quasi-independent organizations to attract foreign sympathizers and provide cover for the often illicit activities of Iranian personnel.

Since the Islamic republic was founded in early 1979, local governments have become increasingly aware of the disruptive potential of Iranian-backed cultural centers, and some have tried to limit their activities. The Iranians have countered by becoming better organized, and the centers continue to have a major impact on local Muslim populations and present a serious challenge to the monitoring capabilities of host governments.

You intend to do things, in countries where you are, that are in contradiction to their ruling systems. To succeed, you must act so that it does not become immediately apparent what is your final goal.

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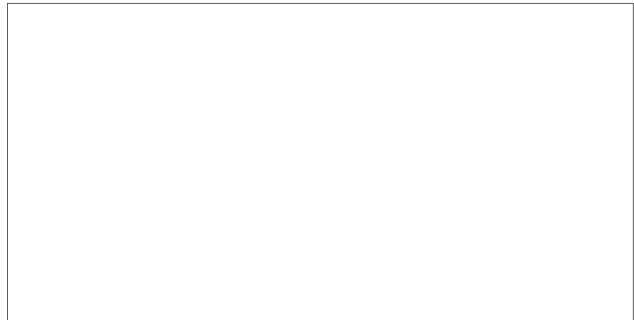
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Foreign Minister Velayati to a conference in Tehran in March 1985 of cultural officers assigned abroad.

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Worldwide Operations

Iranian centers—called Islamic societies, Islamic student associations, Islamic World or Muslim Unity organizations, and Iran Houses—operate throughout the world. In some locations Iranians have taken over established Muslim cultural centers that lacked strong leadership; in other places Tehran has opened new facilities. Some important centers are headed by clerics close to Ayatollah Khomeini who have substantial budgets and enjoy considerable autonomy of action.



- *United States.* Several Islamic societies were founded in the United States around 1964 by Dr. Ebrahim Yazdi, a pro-Khomeini activist who later served for a short period in 1979 as Iranian Foreign Minister. The Islamic Student Society (ISS) was taken over in 1980 by a capable leader who expanded it significantly before returning to Iran in 1984 to take a post at Tehran University. The ISS appears to consist of 57 "chapters," each of which has at least four members, in 27 states as well as in Canada and Mexico.

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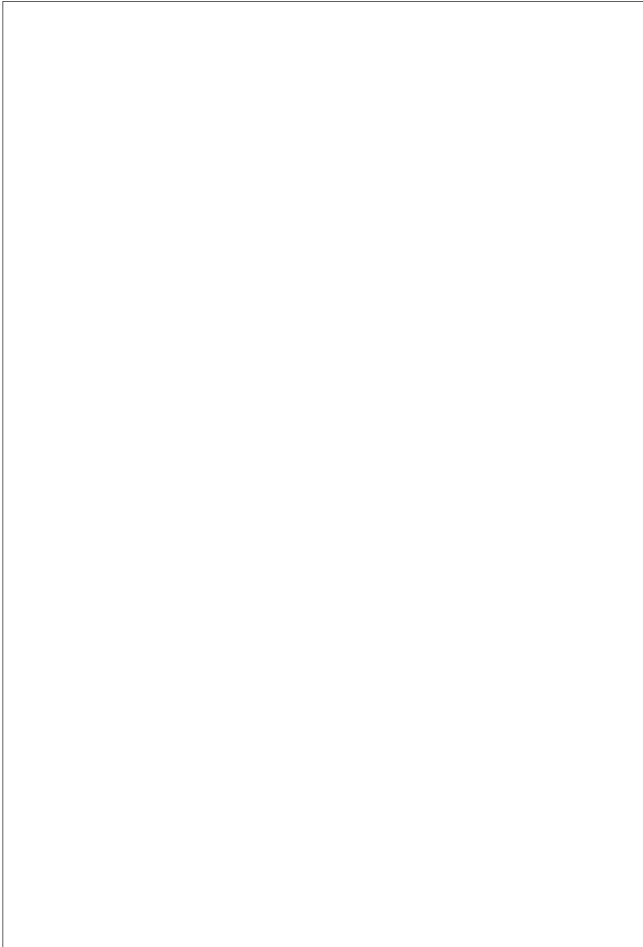
The ISS bureaucratic structure is headed by a national board of "secretaries" who have overlapping



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[redacted] An official of Iran's cultural center in Lahore allegedly said earlier this month that he "had not yet approved" proposals from unspecified individuals to bomb the US Consulate and America Center there, according to the US Consulate General. [redacted]

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- *France.* [redacted]

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[redacted] In December 1983 the Iranian cultural center in Paris was closed by the French Government and three Iranian Embassy staff members were expelled because of activities directed against anti-Khomeini Iranians, according to press reports [redacted] Two months later several Arab extremists linked to the Iranian center were expelled from southern France. [redacted]

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- *Belgium.* A dozen pro-Khomeini activists expelled from France in 1984 migrated to Brussels, where they melted into the local Shia community, according to the US Embassy. Subsequently, moderate Muslim leaders in Belgium were reported to be alarmed by the inroads made by radicals at local mosques and study centers. A new Iranian cultural center is planned for a Brussels neighborhood where pro-Khomeini groups have recently demonstrated. [redacted]

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- *Pakistan.* An influx of Iranians linked to the Revolutionary Guard into the cultural center in Karachi triggered a wave of aggressive propaganda activity in October 1982. [redacted]

[redacted] In March 1983 center personnel and well-disciplined Pakistanis staged violent attacks on Iraqi students in Karachi. After the Iranian Consul General was expelled, the center became more discreet. By 1985 the Iranians were again behaving aggressively. [redacted]



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Prospects
Efforts to export the revolution are an integral aspect of the Khomeini regime and are unlikely to end regardless of which clerical faction is in power in

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Tehran. Iranian leaders disagree about some of the methods used—principally whether terrorism and other violent methods are appropriate—but are all convinced that they have a religious duty to spread their ideology abroad, especially in the Third World.

[redacted]

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Iran will continue to find fertile ground for its activities. There is a ready market for Iranian proselytizing among Muslim communities around the world and among youthful rebels of many nationalities who see violence as the only effective means of making an impact. Despite increasing awareness of the negative potential of Iranian cultural institutions among foreign governments, Tehran will continue to be able to use sympathizers within local communities to act as frontmen for such centers and to establish some plausibility to its denials of sponsorship of the centers' activities. Iran will continue to benefit from the reluctance of some states to crack down on the centers. Many developing countries still seek Iran's oil-funded aid, and most industrial states want to preserve economic ties to Iran.

[redacted]

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The Hojatieh: Rightwing Opposition in Iran [redacted]

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The ultraconservative Hojatieh society has been an important source of opposition to Ayatollah Khomeini's views and policies since the Iranian revolution. It also opposes radical efforts to increase government control of the economy. The society is trying to get its nonclerical members into government positions to influence the struggle for power after Khomeini dies. Some Hojatieh members also are helping to organize antiwar protests to increase the society's popular support, but these efforts have been hampered by lack of a positive political program or a charismatic leader. Nevertheless, the Hojatieh's strong links to influential figures in government and the bazaar make the society an important element in the political equation. [redacted]

The Hojatieh society was founded in the 1950s to combat the Bahai faith, an offshoot of Shia Islam which Shias regard as heretical. The society is composed of both clerics and laymen and has strong support among bazaar merchants, the regular armed forces, and certain segments of the educated elite. [redacted]

What the Hojatieh Believes

Hojatieh members oppose Khomeini's belief that clerics must play a direct role in politics. They reject Khomeini's argument that the clergy must try to establish an Islamic government to prepare for the return of the 12th or "hidden" Imam, whom Shiites believe will reappear one day to bring justice to the world. Hojatieh members contend that trying to create such a regime implies a rejection of the 12th Imam's mission. As one critic of the society put it, Hojatieh members "believe that every revolution before the return of the Imam is heresy and the path to hell." They believe that clerics should provide only general guidance to the government to ensure it acts in accordance with Islamic precepts. [redacted]

The society also rejects Khomeini's view that the supreme political as well as religious authority in an Islamic government must be vested in a qualified

Islamic jurist. Members of the society believe that no cleric, no matter how outstanding, can claim to be the Imam's representative in political affairs. They argue that the authority of Islamic jurisprudents is limited primarily to religious matters and that all Islamic jurisprudents, not just one, are deputies of the Imam. [redacted]

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Hojatieh members are committed to a thorough Islamization of Iranian society. [redacted] they have criticized Khomeini for not going far enough in implementing Koranic law. The society's image of religious fanaticism has led to a popular joke according to which the Hojatieh tried to pass legislation forbidding non-Muslims from going outside when it rains to prevent the water—which Muslims would later use for drinking and bathing—from being contaminated. Hojatieh members, nevertheless, oppose the Khomeini regime's use of gangs of "moral police" to roam the streets punishing those whose dress or conduct is deemed improper. They believe that education and Islamic courts are the proper instruments for instilling Islamic principles. [redacted]

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The society opposes efforts by radicals to centralize government control over the economy and redistribute property. Hojatieh members believe proposals for the nationalization of foreign trade and land reform, for example, threaten the traditional social and economic order of Iran and violate the Koranic injunction on the sanctity of private property. The large bazaar presence in Hojatieh ranks undoubtedly also has influenced the society's opposition, since traditional merchants stand to lose from the radicals' proposals. [redacted]

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Hojatieh members would pursue a very different foreign policy from that of the current regime. They oppose the continuation of the war with Iraq and the export of the revolution through violence. They are more anti-Communist than their radical opponents, oppose any ties to Communist regimes, and urge the destruction of all Iranian Communists to prevent a contagion of atheism from infecting Muslims. Hojatieh members believe Iran can deal with the United States and Israel because both Christians and Jews are "people of the book." They share the radicals' concerns about the danger of contamination by Western culture but argue that Iran can expand economic ties to the West and acquire Western technology without harming Iran's Islamic values.

[Redacted]

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A Threat to the Regime?

Khomeini does not take lightly either the Hojatieh's influence or its threat to the kind of regime he is trying to establish. In a speech in July 1983, Khomeini warned the Hojatieh by saying that those who wished to hasten the coming of the 12th Imam should either join the mainstream of the revolution or have their hands broken. The leader of the Hojatieh, the reclusive cleric Sheikh Halabi, publicly announced that the society was suspending its activities in response to Khomeini's criticism. Khomeini's supporters continued to denounce the society publicly, however, and in August Prime Minister Musavi asked for the resignations of two Cabinet members with links to the society. [Redacted]

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Despite Khomeini's proscription, the society resumed overt organizational activities last fall, according to a respected Iranian journal. The society may have been emboldened to reappear by the strong conservative showing in last summer's election to the Consultative Assembly. Khomeini's failure to attack the society directly for its renewed activity is consistent with his efforts over the last year to accommodate conservative views to temper a growing backlash against radical policies. [Redacted]

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The society is trying to take advantage of growing popular unhappiness with the war to win broader backing. [redacted]

The existence of Hojatieh members or sympathizers at the top level of the armed forces could become particularly important after Khomeini's death. These officers have little political influence now, but a prolonged and possibly violent power struggle might create an opportunity for the regular armed forces to fill a leadership vacuum. [redacted]

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The society also has sought to align itself with Grand Ayatollah Qomi, one of the most outspoken clerical opponents. The Hojatieh selected Qomi as a source of spiritual guidance shortly after resuming overt activity last year, according to Iranian press reports. The society's longstanding spiritual leader, Ayatollah Khoi, though widely revered, has not criticized the Khomeini regime during its six years in power. Ayatollah Qomi, under house arrest since calling for antiwar protests in 1983, has supported the Hojatieh's efforts by publicly calling for the clergy to struggle against the regime and condemning the war as un-Islamic. [redacted]

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Outlook

The ultraconservatives are likely to have only limited success in inspiring the kind of mass appeal that brought Khomeini to power. Ayatollah Qomi has been hampered by a reputation for being against everything and in favor of nothing. The Hojatieh also has not offered a positive political program to serve as an alternative to Khomeini's vision of an Islamic republic. [redacted]

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The Hojatieh's ties to conservatives in the parliament and the bazaar and its success in placing members throughout government, however, should allow the society to exercise considerable indirect influence over regime policies, especially after Khomeini's death. A government dominated by the Hojatieh philosophy would be receptive to expanded ties with the United States and might be led by a pro-Western moderate layman, such as former Prime Minister Bazargan. [redacted]

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**Lebanon:
War of the Camps** [redacted]

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Although the Shia-Palestinian war of the camps in the southern suburbs of Beirut during May and June may have temporarily strengthened Amal chief Nabih Barri's position among mainstream Shia groups, it also sowed new seeds of conflict. Barri's militia failed to seize control of the refugee camps, but it has since been bolstered with Syrian military supplies. Amal has evoked the hostility of Palestinians and other Sunni groups and increased Druze and Christian concern about Shia demands in the future. [redacted]

The Syrian Hand

Through selective and shifting support of Lebanese factions, Syria is trying to maintain a balance of weakness that does not threaten Syrian preeminence.

[redacted] the camp war began as Syria encouraged Barri's Amal to assault PLO units loyal to Yasir Arafat in Burj Al-Barajinah refugee camp. Assad's manipulation of Lebanese politics at least partly depends on his control of the Palestinians and the exclusion of Arafat and his loyalists. [redacted]

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Background

Palestine Liberation Organization (PLO) fighters loyal to Yasir Arafat have been returning to the Lebanese refugee camps since their forced withdrawal from Lebanon following the Israeli invasion of June 1982 in an effort to reestablish their political and military infrastructure. This move is opposed by the Shia Amal and Palestinian radicals, who fear that Arafat forces will return to Shia-dominated southern Lebanon. Amal used the buildup of PLO fighters in the camps as an excuse to attack Palestinian positions. [redacted]

On 17 June, a shaky cease-fire was worked out in Damascus calling for the disengagement of all forces around the camps. A security force, consisting of members from various factions within Lebanon, was assigned security at the camps. The cease-fire agreement was a classic Lebanese compromise that was deliberately vaguely drafted so that both sides could declare it unworkable when they decided to renew fighting. [redacted]

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On 22 June, officials of the Syrian-created Palestinian National Salvation Front (PNSF) met in Damascus to discuss plans for providing relief to the camps and for a possible move against fighters loyal to Yasir Arafat still in the camps. The PNSF expressed concern that Fatah would use the cease-fire to rebuild its position within the camps. [redacted] the PNSF suspects that some Amal members may decide to cooperate with pro-Arafat Palestinians to reduce PNSF influence among camp residents. [redacted]

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Arafat's move toward a joint peace initiative with Jordan last February disregarded Syria's role in the peace process and angered President Assad, who is determined to ensure that any settlement of the Palestinian problem takes into account Syrian interests. Eradication of the pro-Arafat Palestinians in Lebanon was given top priority by the Syrian regime. [redacted]

Syria paid a price for the camp war in its relations with its Palestinian allies and other Arab states.

There has been a growing regional consensus that Syria did not do enough to halt the fighting in the camps. The Syrians persistently rejected an international or Arab League role in ending the fighting, maintaining that this was "a Lebanese internal matter." [redacted]

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Fatah's Goals

Though unable to prevail militarily against Amal, the Palestinians succeeded in forcing Barri into a stalemate. Confronted by superior firepower, [redacted]

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Amal, for its part, sees the Palestinians as a threat to its control of South Lebanon and the southern suburbs of Beirut, and it is concerned that an active PLO may encourage increased Israeli interference in Lebanon. Both Amal and Syria view the elimination of pro-Arafat forces as an initial step in controlling Lebanon's warring factions, ensuring for themselves the dominant position, and bringing political and economic stability. In the process, Amal is becoming more dependent on Syrian support. [redacted]

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Palestinian fighters denied Amal total victory and sought to improve their position in future negotiations. The focus has now shifted south to Sidon as Arafat supporters arm and rebuild in anticipation of new Shia attacks. [redacted]

Arafat's objectives have been to return as many of his fighters as possible to Lebanon, particularly to the south, and to strengthen Fatah's ability to resist efforts by Syria to manipulate the Palestinian movement. [redacted]

Unruly Proxies

Syria knows well from experience the unpredictability of its Lebanese and Palestinian surrogates. The Syrian-supported Abu Musa Palestinian faction refused to remain neutral as reports of attacks on Palestinians came from the camps. Abu Musa forces began shelling Amal neighborhoods of West Beirut from their positions in the Druze-controlled Shuf mountains. The Druze Progressive Socialist Party (PSP), while proclaiming its loyalty to Damascus and its alliance with Amal, collaborated with the Palestinians. During these events, PSP leader Walid Jumblatt faithfully repeated the Syrian line for a solution in Lebanon, reflecting Syrian pressures on him. He lauded the "traditional" Syrian-Shia-Druze alliance against the "forces of Zionism" in the region and against separatism within Lebanon. [redacted]

As the situation deteriorated, Lebanese leaders called for the return of Syrian troops to separate the warring factions. In retrospect, these appeals by Jumblatt and others appeared primarily to be gestures designed to gain favor with Damascus. They also demonstrate the tendency of Lebanese leaders to look to a foreign power, most recently Syria, to solve their problems. [redacted]

PSP/Amal Clashes

On 10 June, while Druze leaders continued to give lipservice to the PSP/Amal alliance, Syrian-backed PSP fighters clashed with Amal forces near Beirut. These confrontations may be a precursor of future battles between the two militias. The Druze have extended their control from the Shuf mountains, their

traditional homeland, to the coastal strip south of Khaldah. The Shias view this area as a vital corridor connecting the Shia population in Beirut's southern suburbs with the major Shia population centers in South Lebanon. Control of the area between the mountains and the sea is considered vital by both Druze and Shias. [redacted]

The Druze, with only about 7 percent of Lebanon's population, see themselves unlikely to prevail against Shia designs without external support and strategic internal alliances. Khaldah could become a vital link to foreign arms for the PSP and the Palestinians. [redacted]

[redacted] Until recently, the Syrians have been able to control the flow of arms into Lebanon, but now the Soviets and others can supply the PSP directly through Khaldah. The PSP can then resupply the Palestinians, easily circumventing Syrian controls. [redacted]

Outlook

Despite the recent cease-fire agreement, the Shia-Palestinian struggle has not been resolved. The potential for armed confrontation has risen in the south, where Shia-Palestinian fighting may erupt in Sidon. Syria is seeking to avoid another inter-Muslim conflict such as those that have diluted Syria's previous efforts to eliminate Arafat forces. To do this, Assad has sponsored a so-called National Unity Front made up of the major Lebanese factions coupled with Syrian military muscle and leadership to ensure cooperation. [redacted]

Assad's apparent desire to eliminate Arafat from Palestinian politics probably will dominate his actions in Lebanon in the near term. Syria is likely to become a target for Palestinian terrorism in retaliation for these acts. [redacted]

In its attempt to eliminate Fatah, Syria demonstrated its willingness to sacrifice the interests of its own Palestinian proxy, the PNSF, to back the Amal movement. These actions will haunt Syrian-Palestinian relations for years to come. [redacted]

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The Shias are striving for the preeminent position in Lebanon, and the Syrians believe that, with time, Amal will be forced into the Syrian camp. The key, Assad believes, is the elimination of pro-Arafat forces, the initial hurdle in molding a more stable pro-Syrian Lebanon.

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Sudan: A New Role for the Communist Party [redacted]

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The Sudanese Communist Party (SCP) has flourished in the open political environment since President Nimeiri's ouster. The Communists continue to function as a secret organization, recruiting among governmental, military, and political organs, in addition to operating as a legal political party. Although the Communists have no hope for a strong showing in elections scheduled for next April, they will use their political sophistication during the current political crisis to enhance the party's support and will probably throw their weight behind the victors to ensure themselves a voice in the resulting government. At the same time, the party will continue to undermine rival parties and infiltrate the military to place itself in a position of influence in the event of a leftist coup. [redacted]

of the upheaval to organize demonstrations and promote the Communist line. [redacted]

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Organization and Leadership

Sudanese Communist Party organization is similar to that of other Communist parties, consisting of a Politburo, a Secretariat, and a Central Committee. Although the Sudanese party follows a Marxist line, it is primarily a nationalist party. Before the coup, party membership was estimated at over 10,000 and possibly was as high as 17,000. Since April this number has increased. [redacted]

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Background

The Sudanese Communist Party, led by a small group of middle-class intellectuals, was probably the largest and best organized in Africa and the Middle East in the 1960s. In the first few months after Nimeiri came to power in 1969, the party was given considerable influence over governmental programs and had strong support in Sudan's universities and trade unions. [redacted]

The Communist Party began an intensive drive immediately after the coup to increase its support and to recruit new members among students and professionals. [redacted]

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Once Nimeiri crushed conservative opposition groups, he moved against the Communist Party, which threatened his control over the Revolutionary Command Council. In response, the Communists staged a coup in July 1971 but held power for only three days before Nimeiri regained the upper hand. Before the coup was defeated, the USSR and its allies recognized the group—a gesture that embittered Nimeiri toward the Soviets. The party was then forced underground, and its leading members were periodically arrested and executed. By 1982 the Communist threat to Nimeiri appeared minimal. [redacted]

[redacted]

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Although the extent of the Communists' role in the general strikes that led to Nimeiri's overthrow last April remains unclear, party members took advantage

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Sudanese Communist Leaders

Muhammad Ibrahim Nujud

Muhammad Nujud, a lawyer by training, was elected Secretary General of the Communist Party in 1971 and has served as one of its chief theoreticians. Educated in Czechoslovakia and Bulgaria, Nujud has been described in a Communist Party publication as a highly efficient leader who knows how to adapt party ideology to Sudanese culture. He has served primarily in legal and propaganda capacities for the Communist Party.



The Communists take a Third World Marxist line on the Sudanese economic situation, opposing increased economic privatization. The party's platform includes a program for the revitalization of the Sudanese economy, to be used in campaigning for next year's national elections. The Communists will probably focus on economic issues during the campaign, playing on the Sudanese mistrust of the private sector and any austerity program imposed by the International Monetary Fund.

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Relations With the Government

The Communist Party has been able to function openly since the legalization of political parties by the new ruling Transitional Military Council. The open political climate in Khartoum has given the Communists freedom to criticize the government and to demand a more equitable distribution of power between the government, the Military Council, political parties, and the trade unions.

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Ali al-Tijani al-Tayyib Babikar

Al-Tijani al-Tayyib, according to Embassy sources, may hold the real power in the Communist Party. In 1958 conflicts with then Secretary General Mahjub precluded any future leadership ambitions. Al-Tayyib, 59, has since worked within the party and has slowly become a threat to Nujud's leadership. Generally labeled a leading party member, al-Tayyib serves as the secretary of the Communist Party's Khartoum Provincial Committee. Imprisoned by Nimeiri for several years, he is viewed by some as more militant and more nationalist than Nujud. Al-Tayyib has served as editor of the party's newspaper and several Communist journals.



The party's major vehicle for influencing Sudanese politics has been the Gathering, the umbrella organization of the major political parties and trade unions that serves as a lobby to both the Military and Civilian Councils. The trade and professional unions in the past have been the traditional base of support for the Communists. When first established, the Gathering was dominated by leftist professionals, and six of seven members of the General Secretariat were either Communists or sympathizers. The party has lost much of its influence since two leading offices have been allotted to moderate parties. The Communists, however, believe that their power base remains intact and that by improving their image and relaxing the confrontational style of the Gathering, they will be able to play a greater and more constructive role in the transitional period.

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The Communist Party has been trying to improve its public image and promote its views through several propaganda techniques: the party's daily newspaper, *al-Maidan*, has reappeared on the newsstands; Communist Secretary General Muhammad Ibrahim Nujud has been interviewed in other publications; and several rallies and demonstrations have been held. The US Embassy in Khartoum reports that the Communists have spread misinformation about the United States, and members have disrupted rallies to discredit rival parties. Nonetheless, the Communist Party's efforts have met with little success.



Relations With Other Parties

The Communists recognize that their public support is not great enough to win a majority in next year's elections, and, therefore, they have sought to influence the elections through other means.



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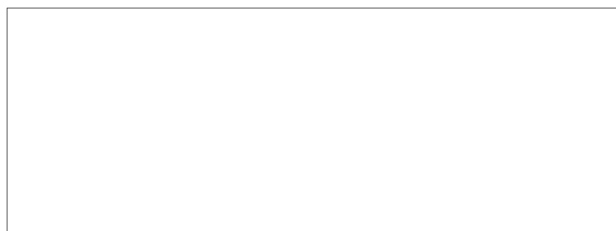
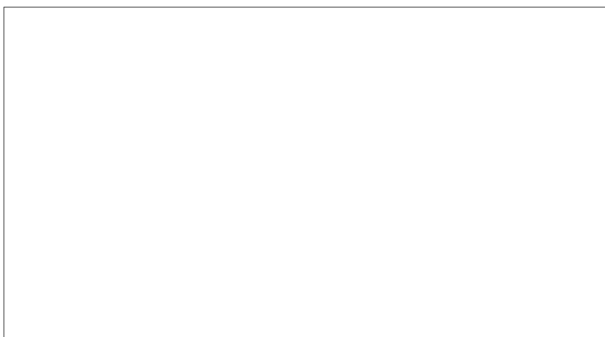
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The party's principal rival is the Islamic National Front, Hassan El-Turabi's faction of the Muslim Brotherhood, labeled by the Communists as a fascist organization. Several clashes between Communist Party supporters and Muslim Brothers have been reported, primarily because of Communist opposition to the continuation of Islamic law. This friction will most likely continue until a decision to reverse Islamic law is made.

Despite claims of no foreign assistance, the party has received aid from Libya, Ethiopia, and South Yemen in the past and most likely continues to receive support from these countries. The Communist Party has demanded normalization of relations with these countries as well as with all of Sudan's neighbors. The Communists, however, have been accused by other parties of conspiring with Libya to take over Sudan and bring it under Soviet influence.

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The Communist Party mistrusts and has campaigned against favorable public opinion toward the United States. In interviews in foreign media, the Communists have resorted to misinformation on the pre-positioning of US military bases in Sudan and an agreement between Nimeiri and Vice President Bush on the use of Sudan as a dumping ground for nuclear waste. The party's platform maintains that steps should be taken to prevent US interference in Sudan's internal affairs.

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The Communists have publicly supported Col. John Garang's Sudanese People's Liberation Movement and see him as a necessary part of any solution to the southern conflict.

The Communists see Egypt and Saudi Arabia as their principal rivals on the international scene, accusing both countries of interfering in Sudanese internal affairs, and have as a stated objective the prevention of future interference. The Communists have heavily criticized participation of pro-Western Arab countries in the Bright Star 85 joint exercises. The party especially condemns Egypt for the alleged expansion of its border into Sudanese territory and advocates reconsideration of Sudan's 1982 Integration Charter with Egypt, specifically abrogation of the Joint Defense Agreement of 1976, which it incorporates.

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Any step toward negotiation viewed as a result of Communist action will not only increase the party's support among the Sudanese population, but may also help recruitment efforts in the south. The Communists fear that continuation of the southern conflict will make it difficult to hold national elections and may provide an excuse for the military to take full control of the government.

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Foreign Support

Although the Sudanese Communist Party claims to receive no direct financial support from Communist states, members receive training in the Soviet Union and other Communist countries. The Communist Party supports Soviet policy but is nationalistic.

Outlook

The Communists have two concurrent strategies to deal with the Sudanese political future—an overt side (the party operation) and a covert one. The party leadership is both shrewd and realistic; Communist

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tactics address their role and participation in national elections as well as the possibility of a coup sympathetic to their organization. [redacted]

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The Communists' realistic view of their influence and potential support, along with their skill at working with other parties, will help keep the party within the structure of almost any government that is likely to take shape after the elections. The Communists are using their influence in the Gathering to exert pressure on the Cabinet and Military Council in the interim period. They are openly supporting national elections next April to give the party a more moderate image. The party will also attempt to help solve the southern conflict, reorganize the Gathering, and try to establish coalitions with other parties. These efforts will help allay the Sudanese mistrust of Communists and may allow them to play a greater role in a future civilian government. [redacted]

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The Communists, at the same time, are preparing to take advantage of the political fluidity in Khartoum and look for an opportunity to lead a coup. If the Military Council fails to address the grievances of younger military officers, the Communists may attempt to use these disgruntled officers as a means to overthrow the Military Council and guarantee a role in the resulting government. In the event of suspension of the proposed national elections and the prospect of a return to full military rule, we believe that the Communists would probably revert to being an underground organization, possibly using armed tactics as well as continuing its efforts to infiltrate the military to foment dissent leading to an eventual coup. Finally, even if civilian rule resumes as planned, the Communists will probably continue covert efforts to increase their power by discrediting other parties and stirring up dissent in the labor force. [redacted]

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**Corruption in Oman:
The Seeds of
Disenchantment** [redacted]

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Corruption is not a serious political problem for Sultan Qaboos, but the issue has become a source of discontent for young Omani nationalists. The members of the nationalist group within the government use the corruption issue to build support for their reform agenda and to jockey for political advantage. If the Omani economy continues to decline and the Sultan does not curtail the excesses of long-favored advisers, the nationalists could form the nucleus around which opposition to Qaboos could crystallize. [redacted]

How Big Is the Problem?

Corruption in Oman is not on the same scale as prevalent as in some Arab states. Nevertheless, senior officials are major shareholders in virtually every large construction or trading company in the country and use their access to inside information for their own profit. Middle-level Omanis [redacted] regard the dominance of senior officials in businesses that profit from the government as unfair, primarily because they want more of the action for themselves. The young nationalists, however, view the involvement of senior officials in such activities as an intolerable conflict of official and private interests. [redacted]

We judge that the young nationalists—many of whom have benefited from Qaboos's generosity—are tolerant of minor corruption, such as petty bribery of minor officials and small-scale conflicts of interest. This group is primarily concerned that corruption among those closest to Qaboos is too blatant and will undermine the social progress Oman has made since 1970. The most effective charge the young nationalists use against the Muscat Mafia—a small circle of British and Omani advisers to Qaboos—is that corrupt officials have acted with little concern for Oman's national interests. [redacted]

A handful of senior Omani officials who enriched themselves through their personal relationships with Qaboos are the targets of the young nationalists.

What Is Corruption in Oman?

Holding government office while running a private business is not perceived as corrupt in Oman.

[redacted] *Qaboos believes private enterprise would divert Oman's most capable citizens from public service, so he permits government employees to have business interests while holding office.* [redacted]

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The use by officials of inside information to gain business for their private firms is officially discouraged but not prohibited. Omani law requires foreign firms to have an Omani company as a local agent, and government officials have eagerly taken advantage of this statute. Nevertheless, officials are considered corrupt—especially by the nationalists—if their firms provide equipment or services to their own ministries, particularly if a contract is awarded outside the legal bidding process. Those involved in such conflicts of interest are disciplined only if their actions are flagrant and embarrass the Sultan. [redacted]

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Excess profitmaking—in Omani terms this means more than a 15-percent commission—from business with the government is perceived to be more serious. Insider deals that bilk the government are the most egregious, and hence, politically sensitive. [redacted]

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Deals that do not benefit Muscat and cause international scandals are the most serious. [redacted]

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[redacted]

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Halfhearted Anticorruption Measures

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Qaboos has taken only halfhearted measures to reduce corruption. A 1974 law forbade officials from using their government positions for personal gain, but it was not vigorously enforced. In 1982 Qaboos issued a vaguely worded royal decree that, like the 1974 conflict of interest law, called for an end to some forms of corruption. Many Omani officials hoped that the provisions of the 1982 decree against using government positions to garner business for one's own firms or to favor others would stem criticism of the government. The decree probably caused some senior Omanis to divest themselves of controversial businesses, but its effect was short lived. The US Embassy reported later that year that the conflict of interest law had been partly suspended and indicated in 1983 that new interpretations further diluted its prohibitions. [redacted]

We believe the young nationalists' aim is to reduce corruption, not to replace Qaboos. The group concentrates on the need to convince Qaboos to restrict the business dealings of government officials.

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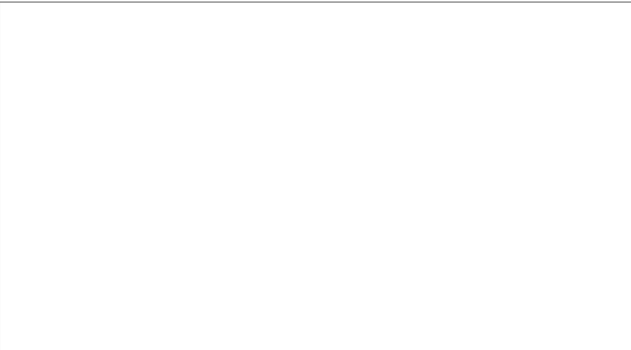
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[redacted] We do not dispute the possibility that this state of affairs could change should Qaboos not support the nationalists' anticorruption initiative, and they could ultimately decide that he should go.

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Qaboos has also taken steps to stop the flow of inside information from the government to businesses owned by senior officials. The Sultan decreed in 1984 that expatriates who hold government positions will be prohibited from working for Omani firms that do business with their respective ministries for two years after they leave the government. After 15 November 1985 all government contracts will go through a government tender board that will award business to the lowest bidder, [redacted]. During the five-year plan that begins next year all defense contracts will be on a government-to-government basis and, wherever possible, will be consummated without an Omani middleman. [redacted]

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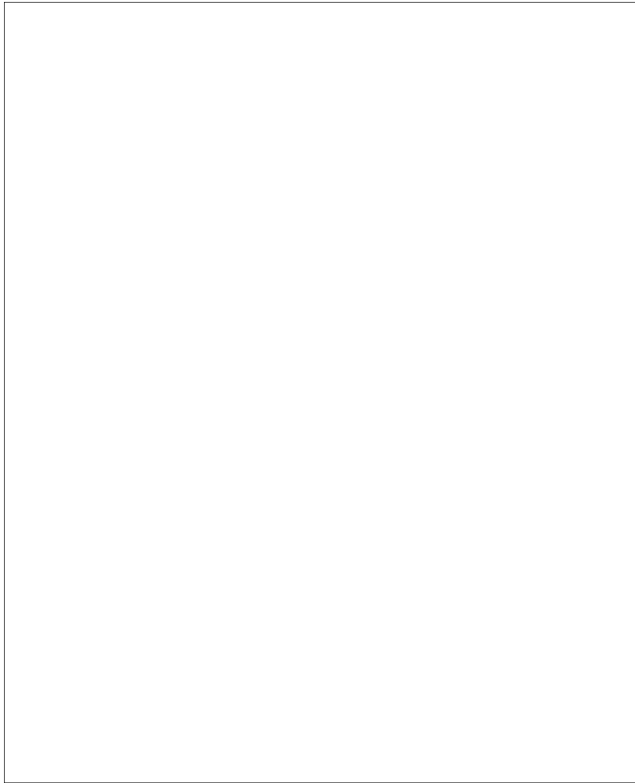
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Political Implications

Corruption is a long-term threat to Omani stability. If the Omani economy continues to slow as a result of the soft oil market, public discontent with the government's handling of economic issues will increase, including criticism of Qaboos for not combating corruption more actively. Under these conditions, we would expect the Muscat Mafia to be increasingly blamed for questionable financial dealings. We judge that the chances are about even that Qaboos will continue to dispense largesse to favored advisers and frustrate the young nationalists. Although they probably are not a threat to the Sultan's rule in the near term, the young nationalists could become more deeply disenchanted with Qaboos and form a nucleus around which internal opposition to his rule crystallizes.



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