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**Near East and
South Asia Review**

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17 January 1986

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**Near East and
South Asia Review**

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Syria's attacks on political and religious dissidents, pro-Arafat Palestinians, and the personnel and facilities of regional foes are a calculated effort to achieve both domestic and foreign policy goals. To shield itself from direct association with such operations, it increasingly employs Palestinian surrogates.

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Libya: The Effect of Economic Sanctions

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The breaking of US economic ties to Libya will have some disruptive effects, but, as time passes, the impact will fade unless there is substantial participation by other OECD countries in the sanctions. The likelihood of Libya's other trading partners following the US lead is not high.

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Morocco: The Succession Question

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King Hassan will continue to dominate the Moroccan political stage for at least the next several years, but his death or incapacitation would threaten political stability. If his successor, Crown Prince Sidi Mohamed, failed to prevent turmoil, senior military officers would intervene.

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The two major alliances of North Africa are undergoing strains that could lead to a shift in the balance of power in the Maghreb, and, although a dissolution of the current groupings is unlikely in the near term, unchecked friction could lead the countries to realign their foreign policies.

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Although the Arab League Pact does not require consensus decisions, early League failures of policy coordination led to the adoption of consensus-style decisionmaking for regional questions, and this will persist as long as the Arab world is polarized.

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The most likely development after Hussein's death would be a peaceful transfer of power to his brother and constitutionally designated successor, Crown Prince Hassan. Whether Hassan can sustain the support extended by the military and general population will depend on circumstances and his leadership capabilities.

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Rumors of a serious rift between President Mubarak and the Defense Minister have fueled speculation that Abu Ghazala may be on his way out. To replace him, Mubarak would have to find a Defense Minister who can maintain military cohesion and loyalty while coping with domestic strains caused by increasing economic stringencies.

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Saudi Arabia: Seeking Markets for Petrochemicals

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Saudi Arabia is aggressively seeking markets for its expanding chemical exports. It recognizes the limits to export growth in the West and has begun to seek additional markets in China and the USSR, apparently uninhibited by the absence of political relations with these potential trading partners.

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The Iranian-backed Shia dissident Islamic Front for the Liberation of Bahrain is working to facilitate Tehran's goals of establishing an Islamic republic in the island state and is using terrorist tactics to achieve this aim. It also seeks to end the US presence in Bahrain and poses a threat to US personnel and facilities.

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Divide and Rule: Soviet Regional Policy in Afghanistan

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Soviet operations in Afghanistan are evolving in a way that suggests a regionally differentiated strategy that demographic trends reinforce, and the Soviets' ability to control northern Afghanistan will be essential to the success of this strategy.

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Sri Lanka's approximately 1 million Muslims have become increasingly caught up in the Sinhalese-Tamil communal violence over the last several months. If no settlement is reached and fighting resumes in the Eastern Province, Muslims may resort to arming themselves, dimming even further prospects for a settlement.

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India: LCA—Light Combat Aircraft or Last Chance for Aeronautics? 47

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India hopes its domestic Light Combat Aircraft (LCA) program will both stimulate its aeronautic industry and reduce the Air Force's dependence on Soviet aircraft, but bureaucratic infighting, lack of technical expertise, and spiraling costs have considerably slowed the program's progress.

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Narcotics trafficking and drug abuse are growing in Nepal, and, although they do not directly threaten the stability of the regime, they have added to domestic pressures—bureaucratic corruption, shifts in traditional social patterns, economic problems—that collectively challenge the government.

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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.

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Articles

Syrian-Sponsored Terrorism in Western Europe 


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Syria sponsors terrorist attacks in Western Europe in a calculated effort to achieve both domestic and foreign policy goals. Syrian intelligence organizations coordinate attacks against political and religious dissidents, pro-Arafat Palestinians, and the personnel and facilities of regional foes. Syria officially denounces terrorism, but we believe it considers these operations part of its national security strategy and that it distinguishes such operations from terrorist incidents perpetrated by other groups that receive Syrian support. There is no evidence that Syria cooperates with indigenous terrorist groups in the execution of attacks in Western Europe or that Syria has sponsored attacks specifically targeting American or European civilians. 

Syria has used its own agents and, since 1984, surrogate groups to execute operations. We believe Syria has increasingly employed surrogates in part because these groups can use their established cells in Western Europe—and the Palestinian and other Middle Eastern populations there—to support their operations. We also believe Syria facilitates these surrogate operations by using their diplomatic channels in Europe to transport operatives. Although Syria uses surrogates to shield itself from direct association with such operations, it runs the risk of being implicated in attacks that are carried out by Syrian-supported terrorist groups without Syrian endorsement. 


The Early Focus

Western Europe became a focus of Syrian-sponsored terrorism in the late 1970s when Syrian operatives pursued and executed anti-Assad dissidents there. Many Syrian dissidents, especially Muslim Brotherhood fundamentalists, had fled Syria to escape persecution and sought asylum in Western


Europe. Syrian intelligence used assassinations and threats of assassination to consolidate Assad's domestic political power by silencing his external opponents. 

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Early attacks in Western Europe, believed to have been organized by Syrian intelligence and carried out by Syrian operatives to intimidate regime opponents, include:

- The assassination of former Syrian Prime Minister Salah al-Bitar in Paris on 21 July 1980. 

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- The assassination attempt on Muslim Brotherhood leader Issam al-Attar in Aachen, West Germany, on 17 March 1981. The attack resulted in the death of Attar's wife 

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- The attempt on 19 December 1981 to bomb the pro-Iraqi Arabic-language weekly *Al Watan al Arabi* in Paris. The bomb was in a packing container 

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There appeared to be a lull in Syrian operations in Western Europe in 1982 after the Assad regime subdued the Muslim Brotherhood at home. In addition, West European governments pressed Syria to end terrorist attacks on their territory. [redacted]

[redacted]

[redacted] Before then, the Abu Nidal group had been responsible for several terrorist operations in Western Europe directed against Syrian dissidents on behalf of Syria, [redacted]

[redacted]

Current Phase

Syrian-sponsored terrorist incidents in Western Europe resumed in 1983 with attacks on pro-Arafat Palestinians and Jordanian diplomats. [redacted]

[redacted]

Several attacks on Jordanian personnel and facilities by Abu Nidal representatives took place after Jordan renewed diplomatic relations with Egypt in September 1984 and allowed the Palestine National Council to meet in Amman the following November. These attacks were encouraged by Syria to bring pressure on the Jordanians not to proceed independently in Middle Eastern peace negotiations. Attacks against Jordanians in Western Europe, believed to have been sponsored by Syria as part of this drive, include:

- The attack on 21 March 1985 on the offices of Alia—the official Jordanian airline—in Rome, Athens, and Cyprus, claimed by Black September. [redacted] Black September is a covername for the Abu Nidal group.

- The rocket attack on 3 April 1985 against the Jordanian Embassy in Rome. The rocket attack was claimed by Black September, [redacted]

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- The missile attack on 4 April 1985 against an Alia aircraft in Athens. The missile was fired at the aircraft from the ground as it took off from Athens airport.

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- The assassination in July 1985 of Jordanian First Secretary Ziad Sati in Ankara, claimed by the Abu Nidal group.

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- The assassination on 18 September 1985 of Jordanian publisher Michel al-Nimairi in Athens. Nimairi was a personal friend of PLO leader Yasir Arafat and publisher of the Arab-language magazine *Al Nashra*. The attack was claimed by Black September. [redacted]

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Syrian Use of Surrogates

Syria increasingly uses Palestinian groups as surrogates to carry out operations in Western Europe, making it more difficult to implicate Syria in a particular incident. These surrogates often have cells in Europe that facilitate the coordination and execution of operations. Syria provides safehaven and training facilities in Syria or Syrian-controlled territory in exchange for the surrogates' cooperation.

[redacted]

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One suspected Palestinian group used by Syria for operations in Western Europe is the Eagles of the Revolution, the terrorist arm of Saiqa. [redacted]

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[redacted]

[redacted] To conceal Syrian involvement, this group uses Palestinians from other countries, rather than Palestinians residing in Syria, to conduct operations.

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[redacted]

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[redacted]

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[redacted]
[redacted] The Abu Nidal group, however, has its own agenda, and we believe operations conducted in Western Europe by this group do not always have Syrian endorsement, particularly since the group's involvement with Libya has increased. We have no information to indicate Syria was directly involved in the attacks last December on the El Al counters at the Rome and Vienna airports. [redacted]

Outlook

We believe there is a high risk that Damascus will enlist surrogate groups to strike at US personnel and facilities in Western Europe if the United States launches a military strike against Syrian targets.

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[redacted]

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[redacted]
[redacted] Since the attacks in Rome and Vienna, Syria has told Abu Nidal representatives not to give interviews in Syria. We believe this is an attempt to avoid publicity on the presence of the Abu Nidal group there. Syria probably is concerned that it will lose influence over the Abu Nidal group with the movement of some of its members from Syria to Libya and Lebanon.

We believe Syria will continue to selectively sponsor terrorist attacks as a means of furthering both domestic and foreign policy objectives and that Western Europe will remain a prime locale for such attacks. Ease of travel and the accessibility of targets facilitate operations in Western Europe. In addition, Syria's increased use of surrogates for its terrorist operations complicates efforts to interrupt their plans and shields Syria from direct ties to the attacks. [redacted]

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[redacted]

Targets will continue to be judiciously chosen to prevent damaging Syria's relationship with West European states. A Syrian-Jordanian rapprochement may lead to fewer attacks against Jordanian personnel and facilities, but activity against pro-Arafat Palestinians will persist. In addition, activity in Western Europe, independent of Syrian endorsement, but conducted by Syrian-supported terrorist groups, will continue to implicate Syria. [redacted]

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[redacted]

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[redacted]

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Because Syria attempts to conduct its terrorist operations in Western Europe in a manner that will not jeopardize its relations with European countries, we believe Syria refrains from cooperating with or sponsoring European terrorist groups. [redacted]

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Libya: The Effect of Economic Sanctions

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The breaking of US economic ties to Libya will have some disruptive effects, but, as time passes, the impact will fade unless there is substantial participation by other OECD countries in the sanctions. Although most of the \$300 million worth of products exported by the United States are generally available on world markets, the time needed to locate new suppliers will aggravate current shortages of consumer and industrial goods in Libya.

The likelihood of Libya's other trading partners following the US lead is not high. Many, particularly the Europeans and South Korea, are owed hundreds of millions of dollars by Tripoli and are expecting repayment in crude oil. Others have valuable equipment, construction, and service contracts with Libya.

Tripoli will have greater difficulty replacing the \$300-400 million in services provided annually by US companies. Contracts with US firms totaling as much as \$3 billion will have to be relet to firms in other countries. Japanese, South Korean, or West European firms are capable of taking over the US role in the Great Manmade River Project, Qadhafi's most ambitious economic undertaking to date. Most of Libya's development program has little impact on the average Libyan, however, and the slowdown in the domestic economy has already greatly delayed the rate of project completion.

The new sanctions probably will disrupt the Libyan petroleum industry over the next one to two months as US production companies disengage from Libya. US firms play a major role in Libyan operations and market about 200,000 b/d—roughly 18 percent of Libyan exports. As a result, oil exports could temporarily fall from the current 1.1 million b/d, but Tripoli probably will take prompt action, including price cuts, to regain sales. Beyond the marketing disruption, any short-term production problems in fields involving US oil companies could be handled by foreign technicians and a small, but competent cadre

Western Oil Companies in Libya

	Equity Share in Libyan Operations (percent)	Current Crude Liftings (thousand b/d)
Total		220
United States		
OASIS		
Conoco	16	64
Marathon	16	64
Amerada Hess	8	32
W.R. Grace	12	14
Occidental	37	46
Total		120
Western Europe		
Elf ^a -France	49	2
Wintershal- West Germany	49	2
VEBA ^a -West Germany	35	21
OMV ^a -Austria	12	15
AGIP ^a -Italy	50	80

^a Includes total or substantial government ownership.

of trained Libyan managers. Moreover, most US companies providing exploration and maintenance services operate through their West European subsidiaries, often using no more than 500 to 800 employees, and replacements could be recruited from a number of countries. Most essential oilfield equipment is already obtained from non-US sources.

Tripoli could offer the US oil concessions to companies in Austria, West Germany, Italy, France, Finland, Brazil, or even Romania. Alternatively,

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Libya may nationalize the companies and operate them with foreign technical assistance as happened after Exxon's withdrawal from Libya in 1981.

Qadhafi is unlikely to detain US citizens or take them hostage. Following the initial imposition of sanctions in 1982, for example, Qadhafi helped expedite the departure of US citizens as a propaganda ploy. Qadhafi probably believes any move against US personnel would be used to justify a US military strike against Libya. The Libyan leader, however, may offer lucrative incentives to retain the services of select, highly skilled workers. Some 400 to 500 US citizens probably will remain in Libya. Qadhafi is likely to use the US economic sanctions to marshal support for even greater domestic austerity and to blame Washington for any further deterioration in Libyan economic conditions.



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**Morocco:
The Succession Question** [redacted]

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We believe that King Hassan will continue to dominate the Moroccan political stage for at least the next several years, but his death or incapacitation—though unlikely—would threaten political stability.

[redacted]

senior military officers would be likely to intervene on their own behalf or in support of a palace conspiracy. Even under these circumstances, the country would probably continue its moderate, pro-Western orientation. [redacted]

[redacted]

[redacted] We also doubt that Islamic fundamentalists could oust Hassan. The fundamentalists' prospects would be better in an atmosphere of political indecision following Hassan's death, but, once they emerged as a threat, the military would probably act preemptively to prevent them from seizing power.

Formal Succession Arrangements

The Moroccan Constitution specifies that the crown should pass to the King's oldest son unless the King designates another son as his successor. This arrangement accords with the general observance of primogeniture in Morocco. It makes Sidi Mohamed the Crown Prince, even though Hassan has never formally designated him. Negotiations among secular and religious leaders also play a role in appointing successors to the throne, and the senior theologians of the realm confer ultimate authority on the new monarch. When the succession occurs, we expect that the country's religious leaders—who enjoy close ties to the royal house—will give their blessing to the new King as they have done on similar occasions in the past.

Sidi Mohamed

Sidi Mohamed—22 years old—has been rigorously groomed since childhood to succeed to the Moroccan throne, according to US Embassy reporting. He

frequently appears in public with his father and sometimes performs ceremonial functions by himself. During the past few years, Sidi Mohamed has been eased slowly into more important official functions. The Crown Prince was the royal representative to the 1985 international trade fair in Casablanca, and his father has used him occasionally as a special envoy to deliver personal messages. Recently he was named coordinator of the armed forces staff, his first substantive position.

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[redacted]

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Palace Interest Groups

Real power during the transition is likely to rest with senior palace advisers, led initially by Ahmed Reda Guedira, Ahmed Bensouda, and the aging Gen. Moulay Hafid. The latter is Hassan's uncle and Minister of Royal Household and would most likely continue to control access to the new King.

The only Cabinet minister who might strive for influence with the new regime or challenge the opinions of the royal counselors is the tough and efficient Interior Minister Driss Basri, who controls internal intelligence, security, and information. Embassy reporting indicates that Basri is a tenacious, efficient functionary who advocates prompt [redacted] suppression of demonstrations and disturbances. Loyal to King Hassan, Basri has been left in charge on several occasions when Hassan has been out of the country.

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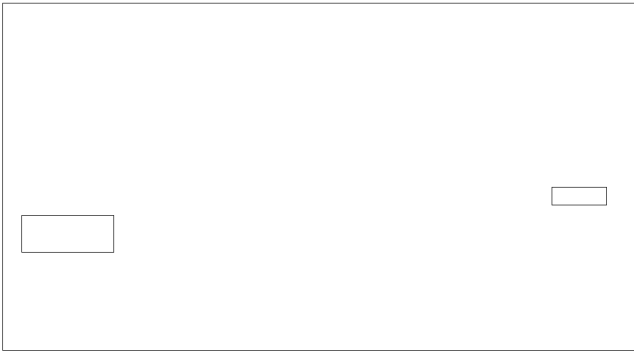
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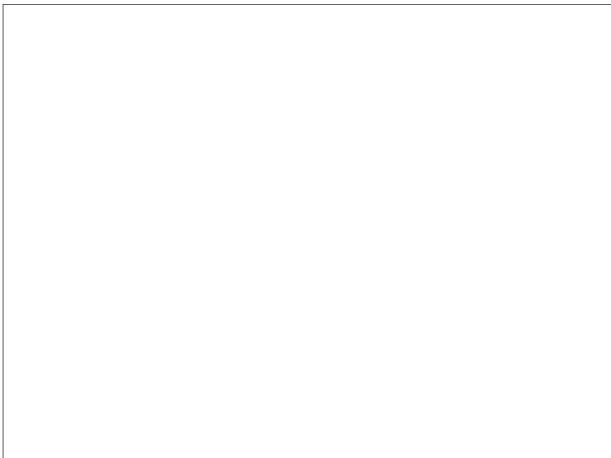
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Organized Labor. Organized labor is a weak element in Morocco's political system. Although labor's rank and file is restive over poor economic conditions, senior leaders of major unions either have been co-opted by the regime or imprisoned. We do not see labor either challenging the new King on its own or working effectively with dissident groups.

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Students. Rising expectations among the burgeoning, youthful population are a principal source of discontent. Students led disturbances in early 1984, are deeply alienated, and could become volatile again. Radical students have set up or joined clandestine organizations that could provide important cadres of support to an attempt to overthrow the regime. By themselves, however, students do not appear strong enough to bring down the monarchy, and their links to other disaffected groups are weak.

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Islamic Fundamentalists. Militant fundamentalism, calling for a return to Islamic principles, is becoming increasingly attractive to young Moroccans and is gaining support among intellectual and urban circles, according to Embassy reporting. Although Hassan as "Commander of the Faithful" has deflected criticism from religious groups, his son might not be so adept. If Muslim fundamentalists and the orthodox religious community joined forces against Sidi Mohamed, we believe they could seriously undermine his authority. Fundamentalism could conceivably become a rallying point for disaffected groups. During the disturbances in 1984, fundamentalists helped foment unrest by distributing tracts attacking the King and calling for an end to the monarchy.

Even so, politically aggrieved fundamentalists have attracted only limited public support. Although Morocco is an Islamic society, most Moroccans appear satisfied with the relaxed and tolerant version of the faith practiced in their country, and we doubt they provide fertile ground for the broad-based, politically oriented fundamentalist movements that have sprung up in other Islamic countries in recent years. The fundamentalists also lack a charismatic leader who might head a Khomeini-style revolution.

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Nonroyal Challengers

In our view, Morocco's established political parties, labor unions, student groups, and fringe opposition groups are neither sufficiently well organized nor capable of working together well enough to challenge the present succession arrangements. In our view, most of these groups have been manipulated, neutralized, or repressed by Hassan.

Political Parties. The Socialist Union of Popular Forces represents the urban lower classes and is the country's only significant independent opposition party. We believe this party would have difficulty in becoming an influential voice in post-Hassan Morocco because [redacted] the government has muzzled its leadership and severely restricted its activities. The Party of Progress and Socialism, the Moroccan Communist party, has little popular support and is tolerated only as a symbol of Moroccan liberalization. It supports the government on most controversial regional issues and is careful not to get too far out of line. In our view, it would not threaten Sidi Mohamed's rule.

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The Military. Both Hassan and Sidi Mohamed can withstand challenges to their rule in the near to medium term because they enjoy the military's support. Overall, Moroccan military officers lead a good life, believe the King cares for them, and are more interested in professional matters and their career success than in political affairs. Hassan faced serious challenges to his regime in two brief military-led coup attempts in the early 1970s, and in response he restricted the authority of the military establishment and centralized command and control in the palace. Postcoup purges and attrition have eliminated potential contenders for power from the military. In their place has emerged a military establishment that is conservative and seemingly faithful to the King.

Senior colonels, particularly, are loyal. Although Embassy officials have speculated that they could shift their loyalty to preserve their privileged status, they appear to recognize that they have a stake in maintaining the status quo. They come from the upper class and are eager to safeguard the system that has amply rewarded their service. Middle-level officers (junior colonels and majors), on the other hand, have higher levels of educational and technical experience than their superiors. They are generally competent and hardworking but are relatively unrewarded and, in our view, pose the greatest threat to the King. Nevertheless, even if a few strongly disaffected middle-level officers attempted to move against the King, they are sufficiently hemmed in by their more loyal peers and other officers that they would have trouble acting against either Hassan or Sidi Mohamed. Junior officers appear loyal to the King, and we believe their criticism is more directed at their superiors than the regime. We doubt that they have the leaders or motivation to stage a successful coup.

Possible Succession Scenarios

Sidi Mohamed Becomes King. In the near term, Hassan is more likely to leave office as a result of death or illness than because of a coup attempt or a popular uprising. If Hassan's demise by natural causes is unexpected, we believe that the most likely sequence would be for the senior palace advisers, led initially by Gen. Moulay Hafid and the two royal

counselors, to endorse the Crown Prince as monarch. We believe Sidi Mohamed would attempt to continue his father's domestic and foreign policies and would benefit from the institutional authority inherent in the Moroccan monarchy and the high regard for his father's memory. Palace advisers, military leaders, and the security forces would want him to succeed and would give him time to consolidate his position.

Senior Military Officers Take Over Following Sidi Mohamed's Succession. If Sidi Mohamed failed to consolidate his power early in his reign or proved unable to prevent the development of serious domestic turmoil fueled by worker, student, and militant fundamentalist grievances, we believe that senior military officers could intervene on their own behalf or in support of a palace conspiracy.

Once the military had taken over and stabilized the situation, they would most likely try to restore civilian rule, probably in the form of a constitutional monarchy with greater limitations on the monarch's authority and a larger institutional role for the armed forces. US and local observers have noted over the years complaints within the military and civilian establishment that the palace has too much control over even minor decisions, such as military promotions and daily management of the bureaucracy.

Middle-Grade Military Officers Take Over. It is possible—though less likely—that a reformist “young colonels” movement could develop among middle-level officers. Serious, unchecked deterioration of economic and social conditions—especially if they bred widespread civil strife—could prompt these officers to move against the King in the belief that they represented the country's best interests. Orders by the ruler to implement repressive measures could increase the pressure on these officers to act if junior officers and enlisted men were sympathetic to the disgruntled populace and refused to carry out those orders.

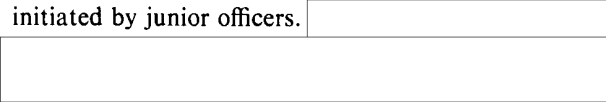
At the end of this chain of events, as in the previous one, the conspirators might install another member of

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the royal family as a figurehead and operate behind the facade of the monarchy. We believe, however, that they would be more likely than the senior colonels to replace the monarchy with a constitutional republic.

Junior Officers Take Over. The least likely military intervention, in our view, would be a military coup initiated by junior officers.



The Islamic Fundamentalists Take Over. A fundamentalist takeover appears less likely than a military challenge to the Alaouite dynasty. A more promising, albeit still unlikely, context for an Islamic takeover would be failure by Hassan's successor to consolidate his power and resolve the nation's economic and social problems. If the militants tested Sidi Mohamed and found him weak, they would probably escalate their opposition, attempt to manipulate student groups and the unemployed, and call upon lower ranking officers and enlisted men to regard them as brothers and not repress their efforts.

Implications for the United States.

We believe the most likely succession to Hassan—Sidi Mohamed's orderly takeover—would not change Morocco's moderate, pro-Western orientation. Initially preoccupied with consolidating his power and the nation's social and economic problems, the new King probably would not undertake significant international initiatives for some time.

Under a regime led by senior officers—because they come from the upper class and have an economic stake in the country—Morocco would remain pro-Western and favor good commercial and military relations with the United States so long as the new rulers perceived continued US willingness to support Rabat's efforts in Western Sahara and to recognize Morocco's other regional interests. Such a regime would probably push for increased US military assistance.

Middle-grade officers who removed Hassan or Sidi Mohamed might be less favorably disposed to US interests. They are more nationalistic than the senior

colonels and probably would seek a more neutral position between East and West, though they would still want increased US assistance. They probably would be more sensitive to Morocco's neighbors and to the moderate Arab states and would not want to be closely identified with the United States.

We believe that the US-Moroccan relationship would dramatically change following a takeover by Islamic fundamentalists. We believe they would condemn the United States for supporting a corrupt monarchy and would refuse all US financial and military assistance. They probably would terminate US access to Moroccan ports and other strategic benefits accorded to the United States. We doubt, however, that any Moroccan fundamentalist regime would be as extreme as the Khomeini leadership in Iran.



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North Africa: The Power Equation

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The two major alliances of North Africa are undergoing internal strains that could lead to a shift in the balance of power in the Maghreb. Morocco's King Hassan and Libyan leader Qadhafi are increasingly dissatisfied with the implementation of their union; longstanding differences among Algeria, Tunisia, and Mauritania have prevented their loose pact from taking root. We do not anticipate a dissolution of the current groupings in the near term, but friction, if unchecked, could lead the countries to realign their foreign policies. Tentative signs are that change in the alliances would involve rapprochement between Algeria and Libya and possibly expanded ties between Morocco and Tunisia. We believe Algeria and Libya are the most likely countries to benefit from major changes, while Morocco and Tunisia would be more isolated and vulnerable. Overall, the balance of power in the Maghreb would not change appreciably, unless in the unlikely event that Algeria and Libya form some sort of alliance. Such shifts in the region would provide opportunities for Moscow to expand its influence and would produce mixed results for Washington.

Background

Since late 1984, the two North African groupings—the Arab-African Union of Morocco and Libya and the loose coalition of Algeria, Tunisia, and Mauritania—have sparred for advantage. Both alliances are based on profound differences and old rivalries between partners. Historically, Morocco's King Hassan and Tunisia's President Bourguiba have been strongly oriented toward the West, Algeria has been among the foremost proponents of radical socialism, and Qadhafi has peddled his Green Book and brazenly interfered in other countries' affairs.

Fissures in the Alliances

During recent months there have been indications of tension within the two North African alliances. Libyan leader Qadhafi is disappointed with his union with Morocco, even though it has entailed few costs for him. Qadhafi is particularly frustrated with

Morocco's reluctance to cooperate on defense, as called for in the treaty establishing the union, and by Rabat's refusal to provide embargoed spare parts for Libya's inventory of US-manufactured aircraft. He is also angered by Hassan's refusal to come to Tripoli for a state visit and by the King's inability to use his influence with Washington or Paris to reduce Western hostility toward Tripoli.

Morocco, which has more to lose in the relationship, also is dissatisfied with the union. Hassan realizes that the union has damaged Morocco's ties to Washington and jeopardized Rabat's acquisition of much-needed weapons. He also is concerned that the union has accelerated the warming of ties between Algeria and the United States and probably believes the Algerians will try to convince Washington to support the Polisario in the Western Sahara dispute. Moreover, we believe Hassan is aware that the union has resulted in a sizable influx of Libyans into Morocco, which increases the potential for Qadhafi to create trouble for Hassan, especially if the union fails.

Libya's military threats against Tunisia during the past six months have given impetus to cooperation between Algeria and Tunisia. Even so, Tunisian leaders are uncomfortable with the relationship. They worry about becoming militarily dependent on Algiers and have longstanding suspicions that it sees Tunisia as part of Algeria's sphere of influence, according to the US Embassy in Tunis. Unlike the other countries, Algeria's leaders have less scruples about their alliances and the effects on the country's overall foreign policy, but they fear that these commitments risk war with Libya and Morocco.

Shifting Coalitions

The members of these alliances have begun to take steps to compensate for recent strains with their partners. Since November, Libya has undertaken a diplomatic offensive to improve relations with Algiers.

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Qadhafi has sent senior envoys to Algiers and used other intermediaries, such as the Iranian Foreign Minister, to arrange a meeting with President Bendjedid. Qadhafi probably wants to break up nascent Algerian-Egyptian military collaboration against his regime and to reduce tension on his border with Algeria to better allow him to meddle in Chad. We believe that a report from a reliable source of the US Embassy in Algiers that Qadhafi may renew military support to the Polisario is, if verified, a step to help repair relations with Algeria.

Algeria is skeptical of Qadhafi's motives, but President Bendjedid appears willing to meet with him. Algeria set tough conditions for a meeting, however, including cessation of Libyan subversion in Tunisia. We believe Algeria also will demand that Libya cease its support for Algerian dissidents and reduce its involvement with Morocco. Reports from the US Embassy in Tunis that Algeria is encouraging Tunis to adopt a less confrontational posture toward Libya could indicate that Algiers is attempting to placate Libya.

Morocco generally has looked outside the Maghreb to overcome its isolation in North Africa. Hassan probably believes that he has little choice as long as he continues his union with Qadhafi. The King appears to view France as a counterweight to Algeria and a potential source of military and economic support. There also are signs that Hassan is interested in expanding ties to Communist countries. Over the long term, he probably wants to persuade Moscow not to provide Algeria with new weapon systems.

Tunisia, more than the other countries, is militarily vulnerable. Its primary concern has been stability in the face of Libyan blandishments and doubts about French and US willingness to come to its defense. Even so, Tunisia is wary of Algeria and has looked to Egypt and Iraq for military support.

Regional Prospects

Neither of the two North African alliances is in imminent danger of collapse, despite the strains. Both Hassan and Qadhafi view the Moroccan-Libyan union as a marriage of convenience. Algeria and especially Tunisia will find it necessary to maintain

close ties as long as the Rabat-Tripoli alliance endures and the threat exists of Libyan interference in the Tunisian succession.

Nevertheless, we believe the Maghreb countries will seriously consider foreign policy realignments in the region if current frictions intensify over the next year. It is also possible, but less likely, that a rapprochement between Libya and Tunisia would produce the same result.

Winners

Algeria and Libya would be the most likely countries in the region to change partners and negotiate a compromise. They also would be the primary beneficiaries of any shift in the existing alliances. Reconciliation would reduce the military threats each faces from abroad. Both countries are surrounded by hostile neighbors, and each could reorient its forces toward its traditional enemies. Libya could strengthen its border with Egypt, while Algeria could reduce its garrisons on the Libyan border and return units and equipment to the Moroccan frontier.

In our judgment, any Libyan-Algerian rapprochement would be no more than a fairly loose association because of competition for regional dominance. [redacted]

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[redacted] Algerian distrust of Qadhafi is so intense that only his removal from power and a regime in Tripoli not controlled by pro-Qadhafi radicals would allow a close relationship.

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Losers

Morocco and Tunisia would find themselves more vulnerable if the current alliances were to shift, especially because of their weaker military position and economic problems. They would find themselves without any partners in North Africa or thrown together in a weak coalition. Moreover, a collapse in the Moroccan-Libyan pact would tarnish the image of King Hassan, because he placed his prestige on the line in forming the union. He argued both at home and in Washington that the union would enable him to tame Qadhafi.

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The loss of Algeria as a key ally would be a severe blow for Tunisia, since the country's leaders have turned to Algeria in the wake of disillusionment over what they perceive as parsimonious security assistance from France and the United States. Both Tunisia and Morocco would be prone to Libyan subversion.

Morocco almost certainly would be compelled to break ranks with Libya if the Algerian-Libyan rapprochement showed promise. The Moroccan-Libyan union might also split if Hassan became convinced that Qadhafi had resumed military aid to the Polisario or was engaged in subversive activity in Morocco. In these circumstances, Hassan could turn to Tunisia, even though he would know that his new partner could not supply the strategic and economic assistance Morocco needs. Tunisia might reciprocate a Moroccan overture, but its leaders, too, would see limited advantages to such a relationship. A more likely course for Morocco and Tunisia would be concerted efforts to obtain assistance from France, wealthy Arab states, and the USSR if the United States was not receptive to their needs.

The New Balance of Power

We believe that a realignment of states in North Africa would not significantly alter the balance of power or stability in the region. Morocco and Algeria will continue to be adversaries and will remain at loggerheads over Western Sahara. The position of Libya toward the other Maghreb states would be somewhat improved because Algiers is the only regime that can effectively challenge Tripoli.

Overall military stability, at least in the short term, would be enhanced by an accommodation by Algeria and Libya, which have the largest and most lethal inventories of weapons. Thus, while the prospects of military conflict in the Maghreb may recede with a change in the alliances, heightened anxieties in Morocco and Tunisia would keep the region on edge.

The emergence of a formal political alliance between Algeria and Libya would produce a significant change in the balance of power in the Maghreb. Even cooperation short of a compact between them, such as support for the Polisario and Moroccan dissidents,

would result in significantly heightened friction in the region. The war in the Western Sahara would be prolonged, and state-sponsored terrorism would increase. Qadhafi, for his part, would be careful not to antagonize the Algerians with overt attacks on Tunisia, but he probably would adopt a more aggressive stance toward Egypt.

The Soviet Angle

Such shifts in the alliances probably would encourage Libya and Algeria to look to the Soviet Union as a potential wedge against the others. High-level contacts between the Soviets and Algeria and Tunisia, including a reported forthcoming visit to both capitals by Foreign Minister Shevardnadze, suggest that Moscow senses an opportunity to increase its influence in the region. Moscow favors a rapprochement between Algeria and Libya because of the Soviets' traditional friendship with these two countries. Moscow also would discourage an alignment against Morocco and Tunisia out of concern that such a move would increase opportunities for the United States.

None of the Maghreb countries, except for Qadhafi's Libya, are prepared to jeopardize their security links to Western Europe or the United States. Tunisia probably hopes its contacts with the Soviets will prompt the United States to increase its aid, and Algiers and Rabat could do the same. These three countries also probably hope they can get Moscow to curb Qadhafi's excesses.

Implications for the United States

These shifts in relations among the Maghreb states would have mixed results for Washington, but, overall, it is conceivable that the United States would lose influence in North Africa.

Morocco and Tunisia would move closer to Washington out of necessity. Both countries would view Washington as the best source of military assistance. Nevertheless, the United States would not necessarily have greater leverage, because Rabat and Tunis would probably conclude that Washington would be more dependent upon them. The degree to

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which Rabat and Tunis turned to Washington probably would depend on the nature of the Algerian-Libyan relationship. The closer the ties between Algiers and Tripoli—particularly any hint of military cooperation—the more willing Morocco and Tunisia would be to cooperate with the United States, perhaps even willing to discuss military facilities.

Relations between Washington and Algiers probably would become more ambivalent. Algeria presumably would want to continue to expand ties to the United States to modernize its economy and military. To the extent that Algiers felt compelled to placate Qadhafi, however, it would have less incentive to cooperate with Washington. Algeria may even decide to refrain from acting as a political conduit to radical Arab regimes. Qadhafi, for his part, would eliminate the military threat from Algeria and co-opt a key ally of Washington in the US effort to undermine the Libyan regime.



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The Arab League and the Question of Consensus

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Consensus building in the Arab world occurs at times of polarization and reflects the absence of a dominant power capable of molding an effective majority coalition. This recipe for deadlock has been especially noticeable since Egypt was ejected from the Arab mainstream in 1979 after it signed the Camp David accords with Israel. Consensual decisionmaking is not an Arab League requirement. It evolved as the Arabs recognized that lack of policy coordination often damaged their common interests. Inability to act, however, has been the cost of consensus.

Using the Arab League as a forum for debate, Arab leaders have sometimes tried to challenge the practice of consensus decisionmaking, arguing that it ought to be abandoned for the regional good when it frustrates the will of the majority. Unless they can forge a coalition strong enough to force dissenters into line, they must abandon their quest, as Jordan's King Hussein did in late 1985. Such attempts have failed because minority states may retaliate against those who challenge them and because the shifting nature of Arab coalitions makes states cautious about changing practices that might be used at another time to protect their own interests.

Consensus and Arab Unity

Although the Arab League Pact does not require consensus decisions, early League failures of policy coordination led to the adoption of consensus-style decisionmaking for regional questions. It was believed that Arabs would have greater international leverage and minimize their vulnerabilities if they worked out internal differences and presented a unified position.¹

Achieving policy coordination through consensus has had its problems. If a small group opposes the dominant position, nothing can be done. Since at least

¹ These failures included lack of coordination during the 1948 Arab-Israeli war; the unilateral Jordanian decision to incorporate the West Bank in 1950; the drawn-out dispute over Iraq's adherence to the Baghdad Pact in the early 1950s; and the protracted Yemeni civil war beginning in 1962, when League members split over which side to support.

1955, Arab leaders have complained about the inability of the Arab League to act decisively on important regional matters. In recent years, Saudi and Jordanian leaders have raised the issue of consensus and majority rule:

- Frustrated with League inaction on his Middle Eastern peace proposals at the abortive Arab summit meeting in November 1981, Saudi King Fahd threatened to support a change from consensus to majority rule. Syria, Algeria, and South Yemen had successfully blocked Fahd's plan after the Saudis made a highly visible commitment to gain Arab and PLO leader Arafat's endorsement. (A second Fez summit meeting in September 1982 endorsed Fahd's plan.)
- Jordan's King Hussein beginning in 1984 proposed that consensus decisionmaking in the League be replaced with majority rule because the consensual approach allows a single country or small group of states to block action on issues that strongly affect the interests of the majority. Specifically, Hussein was objecting to the hardline Arab states, led by Syria, blocking progress toward a Jordanian peace initiative.

The special summit meeting in Casablanca last August once more highlighted the debate, although it did nothing to resolve it. The moderates talked beforehand about proposing a change to majority rule at the meeting, but, even though Syria, Libya, Algeria, South Yemen, and Lebanon stayed away—and important League actions are sometimes taken in the absence of several members—those present chose not to raise the voting issue. Hussein's inability to gain sufficient support for his peace initiatives marked an end to his challenge to consensus and a new emphasis on unity, as embodied in reconciliation efforts initiated at the meeting. The consensus question could come up again as the Arab countries

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Decisionmaking Provisions in the Arab League Pact

A close look at League voting rules reveals surprising flexibility. All important votes do not have to be unanimous; many are made by two-thirds or even simple majority. Article 7 states that only votes that are unanimous will apply to all members; other decisions are binding only upon those who support them. League foreign ministers voted in 1984 over Syrian and Libyan objections to condemn Iranian attacks on Gulf shipping. Furthermore, even requirements for unanimity have been interpreted to apply only to members actually attending a meeting. Perhaps the League's most dramatic action, the expulsion of Egypt in 1979, was carried out in the absence of Oman and Sudan, which boycotted the meeting.

Article 7 also states that, in all cases, a member state shall enforce the decisions of the Council "according to its respective basic laws."

Unanimous Vote Specifications. *Article 18 states that if a member fails to fulfill its obligations under the League Pact, the Council can eject it by unanimous vote (the accused state has no vote). This was the provision used in 1979 to expel Egypt.*

The Council also makes decisions about how to respond to aggression against a member by unanimous vote (Article 6).

Two-Thirds Majority Vote Requirements. *Perhaps the most important evidence for flexibility in League rules is the regulation that proposals to change the*

Pact can be approved by a two-thirds majority (Article 19). Such amendments, however, must be held for final action at the following session of the Council. If a state rejects an amendment, it may withdraw from League membership when the amendment goes into effect (and is exempted from the usual one-year notification usually required for withdrawal). Thus, technically, if the moderates can sustain a two-thirds majority over two sessions of the Council (which take place no more than six months apart), they can change the voting rules.

Other two-thirds majority requirements apply to votes of the Joint Defense Council of the League and the Council's appointment of the secretary general.

Simple Majority Votes. *Decisions of the Council on matters brought to the League for arbitration and mediation and not concerning independence, sovereignty, or territorial independence can be decided by simple majority and are binding (Article 5). Administrative and procedural matters also require only a majority vote of the Council (for example, budget, personnel, regulations for subordinate organs), according to Article 16.*

In subordinate organs such as the committees for economic, social and cultural, financial, and legal affairs, voting is normally by simple majority.

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prepare for the next summit meeting (tentatively scheduled for March 1986), particularly should reconciliation efforts fail.

The Arab League and the Issue of Consensus

The persistence of consensus decisionmaking in the

Arab League stems not from League rules, but from the nature of Arab political relationships. Nevertheless, the Arab League provides an arena where these relationships are played out.

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The League Pact contains surprising flexibility in voting procedures. The key provision stipulates that only decisions made by unanimous consent are binding on the entire membership; other decisions bind only those who support them.

Many important votes—including amendment of the Pact—are taken by two-thirds majority. Thus, the moderates need only muster a two-thirds majority and sustain it over two consecutive League meetings (held no more than six months apart) to modify the Pact and introduce majority rule.

League secretaries general have supported a switch to majority vote in the Arab League Council since the mid-1950s, with varying responses from the membership depending upon whose interests were threatened at the time.²

After Egypt signed the Camp David accords, League deliberations on its ejection sparked a new effort to rewrite the Pact to strengthen the majority. In 1980 committees were designated to suggest amendments to the charter. The draft proposals gave the majority more authority to pass resolutions over minority opposition and strengthened the role of the secretary general. A two-thirds majority would prevail in the Council. A Supreme Council composed of heads of state would have the power to enforce League decisions with a pool of military forces. The proposals were considered in 1982 and 1984 and failed to pass.

Failure To Change

Calls for majority rule, which usually come from states seeking support for specific policies, can be read as attempts to press an opposing minority to conform rather than sincere efforts to end consensus:

- A member of a majority on one issue may hold minority views on others, and most states are reluctant to give up a tool that might be used to protect their own interests.

² Like the UN secretary general, the League's chief administrator has authority beyond routine matters to the extent of his personal effectiveness and powers of persuasion. The League secretary general's often lengthy term in office adds to his potential power. Current Secretary General Chedi Klibi strongly supports majority rule.

- Minority states have means of retaliating against those who attempt to push through measures they oppose, such as terrorist attacks, support for domestic opposition groups, and media campaigns. The price for isolation is very high.

Even if the Council could make all important decisions by majority vote the League would lack the means to enforce them. The League has been a useful vehicle for agreement when agreement was desired, and occasionally as a forum in which to exert pressure on a blacksheep, but its effective functioning has always required that a desire for cooperation prevail. It is by design an agency of coordination that lacks the coercive powers of government. When Arabs are polarized, the weak structure of the League provides no mechanism to implement and enforce resolutions. Thus, the Council fails most noticeably when the membership is deeply split.

Consensus: Protection for the Weak

Consensus persists because it performs an important function in the Arab world: weaker countries may seek the security of consensus for self-protection. Thus, at times when polarization is deep and there is no strong state or states that can build a dominating coalition, differences may be papered over in the interest of "consensus" or "Arab unity."

Currently, the Arab world lacks a single dominant leader. King Hussein and Syrian President Assad have demonstrated leadership abilities and taken initiatives to achieve well-developed objectives. Hussein and Assad stand on opposite sides of every key issue dividing the Arabs—the Iran-Iraq war representation for the Palestinians, and willingness to enter peace negotiations with Israel. Hussein's initiative to form a moderate coalition strong enough to change League rules made little progress in convincing the vulnerable swing states—Saudi Arabia and the smaller Gulf states—to risk the retaliation that would ensue should they back the moderate peace initiative opposed by Assad. So Hussein and Assad, at least for the time being, are pursuing reconciliation at Saudi urging and under the auspices

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of committees formed at the Casablanca summit meeting last August.

For the time being, moderate protests against consensus decisionmaking in the Arab League have fallen silent. With no resolution to the impasse and the moderate coalition crippled without Egypt, short-term goals of regime security dominate the moderates.

Outlook

So long as Egypt remains outside the Arab mainstream and Iraq is weakened and distracted, the Arab League is likely to continue to reflect the polarization of the Arab world, with weaker states taking refuge in consensus, giving the action-oriented hardline minority, led by Syria, maximum room for maneuver.

If stalemate persists in the Middle Eastern peace negotiations, the League reconciliation phase will continue, with all parties fully aware that little holds it together except short-term interests:

- Assad's commitment to reconciliation is largely tactical. He has assured the flow of Gulf state aid and stymied the momentum toward peace that Hussein had taken great risks to launch. Using the threat of reconciliation with Jordan and Iraq, he pressed the Iranians to resume oil shipments. So long as the moderates do not undertake another initiative—and bringing Egypt back into the mainstream would be anathema to Syria—Assad has little to lose by continuing the semblance of consensus, pursuing his military buildup, and enjoying his country's unprecedented influence in Middle Eastern affairs.
- For his part, Hussein seems to have little choice but to continue a low-visibility, low-risk consensus strategy, ensuring the survival of his regime at least for the short term, perhaps hoping that, in the meantime, other participants in the peace talks will break the deadlock.

Egyptian reintegration into the Arab mainstream could restructure and strengthen the moderate coalition and reduce Syria's influence in the Arab world, but we regard this as an unlikely outcome:

- Syria will stop at nothing to keep Egypt out of the Arab mainstream. Renewed Egyptian leadership in the Arab world would challenge Assad's influence and undermine his strategy.
- Saudi Arabia does not want to appear to endorse the Camp David accords, as support for Egyptian reintegration would imply, without a wider Arab consensus. Moreover, the Saudis wish to avoid having to make the painfully visible choice between Syria and Egypt which Egyptian reintegration would require. Finally, the Egyptians believe that the Saudis view greater Egyptian influence as a threat to their own position.

The improbable scenario in which Egypt returns to the Arab fold and forms a new moderate coalition would be the most likely context in which the arguments for majority rule and against consensus would once again be heard. In sum, demands for majority rule arise when prospects appear good for forging a strong alliance. Calls for consensus and reconciliation are heard when states perceive themselves weak and vulnerable and need to minimize risk by seeking refuge in a broader coalition.



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Jordan: Who Will Follow King Hussein? [redacted]

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Jordan's King Hussein, the longest reigning monarch in the Middle East, is so closely identified with his nation's government that few Jordanians can imagine their country under another's rule. Over the years, the monarch has become immensely popular because of his charm and outgoing style, his ability to secure Arab financial aid, and his finely honed diplomatic skills. Jordanians are well aware of their country's precarious position as a small, moderate Arab state bordering Israel and Syria. King Hussein's success in maintaining both his throne and his country's stability—particularly since the Jordan-PLO civil war in 1970—is widely attributed to his unique leadership style [redacted]

Because Jordan's continuity is so closely associated with Hussein's highly personalized statecraft, the issue of the succession is vital [redacted]

Although we expect Hussein to rule Jordan for several more years, the possibility for such unforeseen events as assassination, accident, or serious illness remains. [redacted]

We believe that the most likely development after Hussein's death would be a peaceful transfer of power to the King's brother, Crown Prince Hassan, in accordance with the Jordanian Constitution. The military and most civilian sectors in Jordanian society are loyal to Hussein and would be likely, at least initially, to transfer their support to his designated successor. Whether the Crown Prince could sustain this support, however, will depend upon both circumstance and his own leadership capabilities.¹

Crown Prince Hassan

King Hussein's legal heir is his youngest brother, Hassan ibn Talal. The 38-year-old Prince received a B.A. degree in history and political science from Oxford University in 1967 and is considered an expert economist. The Crown Prince frequently serves as regent in Hussein's absence and travels even more extensively throughout Jordan than does the King. [redacted]

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[redacted] Hussein highly respects Hassan's judgment and has given him responsibility for a number of social projects. For example, Hassan participated in the drafting of Jordan's 1973-75 three-year plan and the last two five-year plans (1976-80 and 1981-85). Hassan also founded the Royal Scientific Society, which conducts much of Jordan's development planning and research. [redacted]

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Like most Arab leaders, Hassan realizes it is important to espouse the Palestinian cause publicly. He has written two books on the subject: *The Palestine Question*, and *Palestinian Self Determination: A Study of the West Bank and Gaza Strip*. He has also made an extensive personal study of demographic changes on the West Bank and Gaza Strip. [redacted]

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Hassan has gained the support of the Jordanian business community, particularly young technocrats who identify with his educational background and pro-Western orientation, but he has alienated other important sections of Jordanian society. Hassan suffers from especially poor relations with the Bedouin tribes, which make up most of the Jordanian Army. In contrast to Hussein's easy relations with the Bedouin, Hassan seems uncomfortable when visiting and socializing with the tribal leadership. [redacted]

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[redacted]
Hassan's problems with the military are compounded by the memory of his personal failure during the 1974 "Zarqa mutiny," when military officers refused to let Hassan negotiate with the dissident Army leaders.

intelligence, and concern for his people. Hassan's devotion to his wife and family is widely admired, as is his reputation for piety—a major asset in a country where the legitimacy of the throne stems from the King's claim to be directly descended from the Prophet. These personal attributes, as well as the overwhelming preference of most Jordanians for continuing stability under Hashemite rule, are likely to be Hassan's greatest assets.

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It would be impossible for Hassan to rule Jordan without military support. The Crown Prince, recognizing this fact, has invested a great deal of time in courting the military, but he has achieved only limited success. Commander in Chief of the Armed Forces Lt. Gen. Zayd bin Shakir is loyal to the Hashemite family and would probably offer the new King his full support. Whether this will be sufficient to tie the entire Army to Hassan, however, is uncertain.

Prince Abdallah
The King's eldest son, 23-year-old Prince Abdallah, is a possible contender to the throne. Abdallah was left out of the succession because his mother, British-born Princess Muna, was not born a Muslim. Recent press articles, however, have speculated that King Hussein wishes to replace Hassan with Abdallah as Crown Prince.

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Hassan's relationship to Jordan's majority Palestinian population is also problematical. According to US Embassy reporting, his pro-Palestinian activities have won him some Palestinian support, but many deride Hassan as responsible for convincing Hussein to engage in the bloody 1970 showdown with the PLO.

Like his father, Abdallah has an aptitude for military affairs and is developing a reputation as a dynamic leader. Abdallah, currently a first lieutenant in the Jordanian armed forces, has earned the respect and admiration of officers and enlisted men alike for his competence and dashing personality. His involvement in such sports as race car driving and parachuting has inspired growing support among younger Jordanians, as have his recent activities as a spokesman for Arab youth concerns.

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Hassan's problems are compounded by the widespread popular perception that he is [redacted] at times, overbearing. He has also been criticized for a tendency to analyze domestic and foreign policy issues in an overly simplistic manner—behavior that contrasts starkly with his brother's sophistication. US Embassy officers believe, however, that Hassan is aware of his limitations and is trying to change his image by assuming a more prominent public role.

Those who favor a more charismatic leader than Hassan note that Hussein himself inherited the throne at only 17 years of age. [redacted] many Jordanians favor Abdallah because he has had no involvement with past incidents—like the Zarqa mutiny—that have damaged Hassan's credibility.

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Jordanians may doubt Hassan's ability to cope with critical internal and international problems, but [redacted] few doubt his honesty,

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Despite these arguments, Hussein is unlikely to change the succession in Abdallah's favor in the near term. Hussein's chief concern over the succession is how it will affect Jordan's political stability. He probably will not change existing arrangements unless

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Israel's invasion of Lebanon in 1982. Although we do not believe this PLO presence poses a direct threat to the regime, the power vacuum created by a weak leader could trigger a Palestinian response similar to 1970. [redacted]

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Prince Ali

The 10-year-old Prince Ali, Hussein's son by his third and only Arab wife, Queen Alia, is second in line to the throne. King Hussein could conceivably name Ali his heir if he comes of age before Hussein's death, but such a move is unlikely. Hassan would, by that time, have over 27 years of experience in Jordanian politics and would almost certainly be more acceptable as a ruler to the Jordanian public [redacted]

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Impact of Succession on US Interests

Hassan would almost certainly continue Hussein's moderate, conservative policies. We believe that he would place great importance in maintaining close, cooperative ties to the United States in military and economic matters and continue King Hussein's cautious approach to Middle Eastern peace negotiations. [redacted]

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The crucial issue for the United States is whether Hassan, as King, would have the leadership ability to maintain both his throne and Jordan's moderating influence on Middle Eastern politics. As Hussein's heir, Hassan is likely at least initially to inherit the support of the Jordanian public. How long this support lasts will be as much a question of luck as of the new monarch's abilities. If he comes to power at a time of crisis—or if Jordan's adversaries try to use the change of leadership for their own advantage—Hassan's lack of experience may lead to political instability. [redacted]

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We believe Palestinian support of the monarchy will be crucial to a smooth transition. The Palestinian presence in the country is seen by many Jordanians as the country's greatest potential internal threat, particularly with the relocation to Jordan of some PLO administrative offices and military units after

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Egypt: Politics in the Senior Officer Corps [redacted]

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Rumors of a serious rift between President Mubarak and his Defense Minister have fueled speculation that Muhammad Abd al-Halim Abu Ghazala may be on his way out. Mubarak, however, would be hard pressed to replace the popular field marshal, a key figure in building the US-Egyptian military relationship. Mubarak will have to find a Defense Minister who can maintain military cohesion and loyalty while effectively coping with domestic strains caused by increasing economic stringencies. Looking ahead, Mubarak is likely to screen senior officers now in line for top command positions on the basis of their loyalty to minimize military dissatisfaction with his government and policies. Economic hardships may bring demands for increased US assistance, but future military leaders, more sensitive to domestic pressures, may prove less cooperative with the United States.



Muhammad Abd al-Halim Abu Ghazala [redacted]

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Minister Ali's resignation last September stripped Abu Ghazala of allies and left him virtually isolated.

[redacted]

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The Defense Minister is also vulnerable to charges of corruption. Before the Achille Lauro incident, there was a resurgence of rumors about market manipulation and shady deals in land, iron and steel, and cement.

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[redacted]

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Abu Ghazala Under Fire

Rumors that Abu Ghazala was in disfavor with Mubarak have persisted for some time, but they became more pronounced in the aftermath of the Achille Lauro hijacking. US Embassy sources say Abu Ghazala was privately critical of Mubarak's decision not to use force to resolve the hijacking and to turn the hijackers over to the PLO in Tunis. Abu Ghazala's openly pro-US attitudes left him vulnerable to critics incensed by the US diversion of the Egyptian airliner carrying the hijackers. At the time, the local gossip was that Mubarak planned to sack him.

A counterforce to Abu Ghazala's critics—and a deterrent to hasty action by President Mubarak—is the Defense Minister's popularity within the politically influential military establishment.

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In late November the Defense Minister was again the object of opposition criticism for the inept Egyptian commando operation in Malta. A quickly staged People's Assembly debate produced a resolution backing the government's actions and diverted criticism to the media for initial exaggerated claims of success in the bloody rescue operation.

[redacted] the Defense Minister has enemies within the Cabinet, led by foreign affairs adviser al-Baz. The reshuffle that followed Prime

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Mubarak installed Lt. Gen. Ibrahim al-Urabi as armed forces Chief of Staff to counterbalance the Defense Minister and prevent formation of a coalition that could threaten the power of the President. Abu Ghazala's skill as a politician and popularity within the most powerful interest group in Egypt probably explain the often reported rifts with President Mubarak.



Ibrahim al-Urabi [redacted]

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Problems With the Chief of Staff

The man in line to succeed the Defense Minister is Armed Forces Chief of Staff Lieutenant General Urabi, but his [redacted] only marginal diplomatic skills do not equip him well for the position.

Urabi often enforces unpopular decisions—particularly belt-tightening measures—within the military. He has the kind of aloof, no-nonsense personality ideally suited to the role he has to perform. We believe the Defense Minister takes advantage of this and allows his Chief of Staff to do the dirty work, while listening to grievances and enhancing his own popularity.

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[redacted] morale in the Egyptian officer corps was low and resentment high because of Urabi's arbitrary disciplinary actions against senior officers for seemingly minor offenses.

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A New Chief of Staff?

Under Egyptian law the Defense Minister and the Chief of Staff cannot be replaced simultaneously. If President Mubarak plans to cashier Abu Ghazala, he may have to replace Urabi first with a candidate more acceptable to the military. Then, after an appropriate breaking-in period, he can allow Abu Ghazala to retire and promote the new Chief of Staff to Defense Minister. Chief of Operations Maj. Gen. Ahmad Abd al-Halim Salah appears to be the most likely contender.

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The clumsy commando raid on the hijacked Egyptian airliner in Malta has prompted some criticism of Abu Ghazala, but it may have a more damaging impact on Urabi. [redacted] many officers attribute the ineptitude of the commandos to Urabi's refusal to release funds for foreign training and equipment. In mid-December Urabi personally supervised the implementation of a new program to retrain and reequip "Group 777" to counter criticism that his austerity measures affected the group's performance.

[redacted] He has been extended for an unprecedented ninth year in grade, a conspicuous exception to the military's rigid "up-or-out" rule. Salah is also reported to be a close associate of Urabi, which minimizes chances that he

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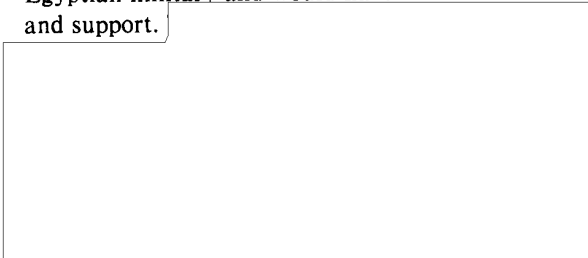
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would form a coalition with Abu Ghazala against Mubarak. Salah is highly respected within the Egyptian military and would have their confidence and support.



makes him the most likely successor to Air Marshal Muhammad Abd al-Hamid Helmi, who may retire in 1986.

- Air Defense Commander Lieutenant General Hamdi, also a classmate of Mubarak and Abu Ghazala, will probably leave his post to Major General Khalil, his Chief of Staff. 25X1

- The current front-runner in the Navy is recently appointed Chief of Staff Rear Adm. Ahmad Midhat Ghanim. [redacted] 25X1

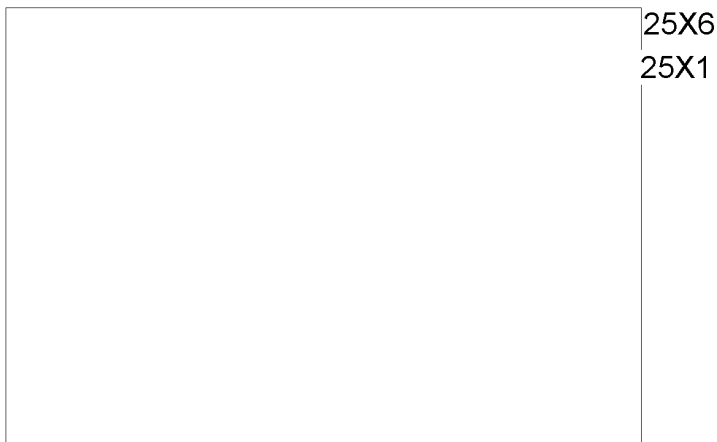
Although Mubarak could appoint a civilian as Minister of Defense, he is not likely to go against the practice of keeping a military man in the office. The Army has long been the dominant service in Egypt, and for the near term Army officers have the inside track to the three highest military posts. Nevertheless, it is possible that Air Force or air defense officers could rise to one of the top positions, since Mubarak, a former Air Force officer, still has friends within that service. [redacted]

When Rising Stars Fall

Two promising careers recently came to an end because the officers chose to challenge their superiors. Pride may have led to their downfall, but the circumstances surrounding their demotions may also reflect growing tensions within the officer corps. [redacted] 25X1

Rising Stars

Recent shuffles in the senior officer corps reveal which officers are in line for armed forces Chief of Staff and the major service commands. The Egyptian military places great importance on seniority as a criterion for promotion to higher office. Within the armed services, the Chief of Operations is normally viewed as the top contender for Chief of Staff, who, in turn, is likely to replace the service commander. Usually a major command provides the steppingstone for the post of Chief of Operations. An individual whose performance is unsatisfactory is either shunted aside or allowed to retire. [redacted]



According to these criteria, the following are likely candidates for key leadership positions in the near future:

- Third Army Commander Maj. Gen. Hasan Husayn Zayat is seen as a probable replacement for Operations Chief Salah. Zayat has seniority over Second Army Commander Abd al-Munim Sa'id, who assumed his command in December 1985.
- The rising star in the Air Force is Maj. Gen. Ala Barakat, whose meteoric succession from Chief of Air Force Operations to Air Force Chief of Staff

Mubarak visited the Second Army a week later to announce an increase in the overtime bonus paid to officers. [redacted] 25X1

[redacted] had been shifted to the post of Director of Organization and Administration for the Defense Ministry—a dead end job. [redacted] 25X1

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The fall of Air Vice Marshal Abd al-Rahman in December dashed any possibility that he would become Air Force Chief of Staff. [redacted]

[redacted]

[redacted]

officers dependent on the President's personal patronage. [redacted]

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When Abu Ghazala steps down—voluntarily or not—the United States will lose an effective supporter within the Egyptian military. If Urabi succeeds him, bilateral military relations are not likely to run so smoothly. [redacted]

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Unbuffered by Abu Ghazala's perspectives and authority, Urabi's impact on the Defense Ministry could be divisive—even destructive. [redacted]

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Leadership changes in the near term are not likely to produce a major shift in the direction of bilateral military relations. Most of the rising stars in the senior officer corps are known to be pro-Western military professionals, but they lack Abu Ghazala's broad power base and ability to manipulate the military bureaucracy. [redacted]

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Looking ahead, we believe that, as Egypt's economic problems increase, the military will become more demanding of greater US assistance. Even if US aid grows, it is not likely to produce visible results. The United States may be regarded with increasing frequency as the cause, not the cure, of Egypt's economic woes. [redacted]

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Domestic stresses are more likely to cast future military leaders in a different mold. The armed forces probably will face increasing domestic criticism of their consumption of dwindling resources and accusations of dependence on the United States. In addition, the growing number of Islamic fundamentalists will be represented in the conscript force—and possibly in the junior officer corps. Conditioned by this changing environment, the Egyptian military may become less cooperative with the United States and more assertive of their country's nonalignment. [redacted]

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[redacted]

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Outlook

Because the military is the principal guarantor of the government's stability, President Mubarak will want to keep the armed forces squarely behind him during the troubled times that are likely to come with the country's increasing economic problems. He probably will press the People's Assembly for concessions on bread-and-butter issues important to the officer corps, but these are likely to fall short of the military's expectations. Mubarak, therefore, will want to ensure that key military leaders are personally loyal to him to minimize the possibility of military disaffection with his regime. To bind the military more closely to his personal fortunes, Mubarak may try to weed out proteges of Abu Ghazala to undercut the Defense Minister's influence and build a cadre of senior

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**Saudi Arabia:
Seeking Markets for
Petrochemicals**

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Saudi Arabia is aggressively seeking markets for its expanding petrochemical exports. It has spent over \$14 billion developing its petrochemical industry and is looking for a return on this investment. Riyadh is attempting to negotiate trade agreements with the European Community (EC), Japan, and the United States to gain increased access for its petrochemical production but has had little success to date. Saudi Arabia recognizes the limits to export growth in the West and has begun to seek additional markets. It has approached the Chinese directly and the Soviets through third parties and appears uninhibited by the absence of political relations with these potential trading partners.

The Petrochemical Investment Program

Saudi Arabia began developing its petrochemical industry in the oil boom years of the 1970s. Its current five-year plan calls for a tripling of the Saudi share of the world petrochemical market—currently 2 percent—by 1990. Production will come from capital-intensive facilities that enjoy major economies of scale because of their efficient design, colocation with other petroleum activities, and cheap natural gas feedstock—approximately one-sixth the price of natural gas in Western Europe and North America.

More than half of Saudi production will be aimed at the export market. The primary exports will be methanol and plastics, which are derived from ethylene. Exportable products include linear low-density polyethylene, high-density polyethylene, polyvinylchloride, styrene, ethylene glycol, and urea fertilizer. These petrochemicals are used in such common products as bottles, phonograph records, styrofoam, synthetic rubber tires, antifreeze, and polyester.

Although Saudi Arabia's petrochemical exports face a glutted market, Riyadh is determined to sell its output. Sales of petrochemicals—about \$650 million last year—have become more important to the

country as oil revenues continue to slide. Oil earnings fell to an estimated \$25 billion last year, down from a peak of \$110 billion in 1981, leaving Riyadh with a record \$25 billion current account deficit this fiscal year. When all Saudi petrochemical plants are completed and operating at capacity, they will produce about \$3 billion of exportable products.

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EC-GCC Trade Friction

EC petrochemical producers are becoming increasingly concerned about the prospect of a flood of low-cost Saudi petrochemicals entering their markets. In recent years, the Europeans have closed over 20 petrochemical plants and laid off 70,000 workers, compounding their already worrisome unemployment problem. The situation worsened last year when the Saudis began to cut petrochemical prices to gain a larger market share and circumvent OPEC price guidelines, which do not cover petroleum products.

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In June 1984, responding to growing protectionist pressure, the EC imposed a 13.4-percent tariff on Saudi methanol exports, straining EC-Saudi relations. Earlier that year, the Saudis had exceeded the very small duty-free import limit allowed under the EC's Generalized System of Preferences. They requested tariff exemption, but the EC claimed that the industry had strategic importance and needed protection while it was restructuring. The Saudis continued to press the EC to abandon the duty or to raise its duty-free quotas, and further European rebuffs prompted the Gulf Cooperation Council (GCC)—led by Saudi Arabia—to threaten retaliatory tariffs on European exports. The Gulf states constitute the EC's third-largest export market.

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Tensions between the EC and the GCC eased somewhat following trade talks in Bahrain last March, despite significant differences in their

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Petrochemical Plants in Saudi Arabia

	Foreign Partner(s)	Location	Completion Date	Estimated Cost (billion US \$)	Annual Production Capacity (1,000 metric tons)
Al-Jubail Petrochemical Company	Exxon	Jubail	1985	1.3	260
National Methanol Company	Celanese, Texas Eastern	Jubail	Onstream	0.4	650
Arabian Petrochemical Company		Jubail	1985	1.5	500
Saudi Arabian Basic Industries Corporation	Agip Neste Oy	Jubail Jubail	1985 1986	0.4 NA	254 500
Saudi Petrochemical Company	Shell	Jubail	1985	2.8	2,060
Saudi Arabian Fertilizer Company		Dammam	Onstream	0.3	450
Al-Jubail Fertilizer Company	Taiwan Fertilizer	Jubail	Onstream	0.4	500
Eastern Petrochemical Company	Japanese Consortium	Jubail	1985	1.5	130
Saudi Methanol Company	Japanese Consortium	Jubail	Onstream	0.3	600
Saudi Yanbu Petrochemical Company	Mobil	Yanbu	1985	2.5	510

[REDACTED]

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negotiating positions. Gulf officials advocated a two-phase agreement: the first phase to guarantee preferential access for their petrochemical and petroleum product exports, and the second phase to include broad discussions on trade. The Europeans refused to commit themselves to the GCC agenda and saw the talks as purely exploratory. [REDACTED]

In August the EC imposed a 14-percent tariff on imports of Saudi polyethylene. The duty surprised Saudi officials because polyethylene imports from the kingdom equaled only 1 percent of polyethylene production in the EC. Saudi officials told EC Commissioner Cheysson that they opposed the erection of trade barriers and that they considered the tariffs a blow to Saudi prestige, according to the US Embassy in Riyadh. King Fahd prepared a plan to impose a 15-percent duty on all EC exports to the Kingdom, [REDACTED] but the plan has been shelved. Meanwhile, to conciliate the Saudis, the EC Commission advocated increased

duty-free ceilings for all key Gulf petrochemical exports. [REDACTED]

Despite their anger at the imposition of the new tariff, the GCC pushed for an accord with the EC, and a ministerial meeting was held with EC leaders in Luxembourg last October. The parties reached an interim agreement—to last through 1986—under which the EC agreed to advise the GCC when tariff action on a GCC export was imminent. The agreement was tested less than a month later when, after warning Riyadh, the EC imposed a tariff on Saudi ethylene glycol products. The tariff was withdrawn under pressure from Riyadh, and the GCC agreed to subject their petrochemical exports to normal EC tariffs. [REDACTED]

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Talks With the United States and Japan

The Saudis—under GCC cover—began to press for exploratory economic talks with the United States last March, probably as a result of disappointment over progress in their talks with the Europeans and fear of growing US protectionist pressures. The GCC proposed an agenda for a first round of talks in December that would include trade and market access, energy—excluding price and production levels—investments and financial safeguards, and technology transfer and industrial cooperation. [redacted]

The first round of US-GCC talks revealed the GCC's lack of clearly defined objectives, according to the US Embassy in Riyadh. [redacted]

[redacted]

[redacted] Another negotiating session is scheduled for late spring in the United States during which the parties will try to refine the issues further. [redacted]

GCC talks with the Japanese are still in the preliminary stages. The GCC first proposed exploratory trade talks last July. Tokyo was reluctant to agree, however, because it fears that the GCC would view the talks as a preamble to negotiations for some kind of bilateral agreement similar to that proposed with the EC—Japan prefers to conduct trade negotiations under the General Agreement on Tariffs and Trade. Nonetheless, the Japanese petrochemical industry is showing some willingness to reduce domestic production to accommodate more imports from Saudi Arabia and the United States, according to the US Embassy in Tokyo. [redacted]

The GCC has continued to push for talks, despite Japanese reluctance. In September, GCC Secretary General Bishara visited Japan to discuss future economic negotiations. His presentation was not well received, however, and the visit set the talks back several months when Bishara mistakenly referred to the possibility of a formal agreement, upsetting the Japanese. [redacted]

Seeking New Markets

Saudi Arabia's lack of success in negotiating increased access for its petrochemical exports in the United States, EC, and Japan has led it to seek other markets. It is continuing to play these Western producers against one another, but it has recently approached China and the USSR, hoping to gain access to those markets. [redacted]

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Riyadh began negotiating an economic agreement with China last October that would include petrochemicals as well as crude oil. Beijing earlier agreed to conditions the Saudis set for the talks, which, [redacted] stipulated that Riyadh would not break its ties to Taiwan or establish diplomatic relations with China, at least for now. The talks were attended by high-level Foreign Ministry officials as well as technical advisers and appear to have resulted in the basis for a trade agreement. [redacted]

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The Saudis apparently are already selling petrochemicals to China through third parties. Several Japanese middlemen have been involved in these sales, [redacted] In addition, Saudi Arabia is negotiating a sale of 360,000 metric tons of methanol—more than a quarter of its annual methanol exports—to China through the Netherlands. [redacted]

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The Saudis also are using foreign trading companies to sell petrochemical products to the USSR. [redacted]

[redacted]

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[redacted]

[redacted] The Saudis have never directly exported any petrochemicals to the USSR, and only 1 percent of Saudi imports are from the USSR and other Communist countries. [redacted]

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Outlook

Saudi Arabia will continue to press for GCC-wide trade agreements with the United States, EC, and Japan using the threat of retaliatory tariffs in a carrot-and-stick approach to gain increased market access. The Saudis probably believe that these countries have few alternatives but to negotiate and that each wishes to avoid falling out of favor with the GCC and possibly losing access to a lucrative export market. [redacted]

Riyadh probably will also continue to seek new export markets for its petrochemicals in the USSR, China, and elsewhere, even if trade agreements with the Western states are concluded. As Saudi economic difficulties mount, Riyadh is becoming interested in pursuing economic relations with Communist states. Although the Saudis probably are still weighing the political tradeoffs of direct trade with the Chinese and Soviets, they may be willing to improve relations with both countries if sufficient economic rewards result.

[redacted]

Neither the Soviets nor the Chinese need to import Saudi petrochemical products, but they probably would do so on a small scale to develop their links to Riyadh. Beijing exports its own oil and petroleum products but is eager to develop economic relations with Saudi Arabia primarily to induce Riyadh to break relations with Taiwan. The Chinese market for Saudi oil and petrochemicals, however, is too small by itself to prompt the Saudis to take such a step. The Soviets would welcome trade ties to Riyadh in the hope of eventually reestablishing diplomatic relations.

[redacted]

Implications for the United States

An economic dialogue with the GCC offers the United States potential commercial advantages in the region—including preferential access to the Gulf market. An economic agreement also would serve as an important political gesture to GCC members. For its part, Riyadh will continue to cite the importance of its petrochemical industry and stress the need to maintain good Saudi-US relations. Riyadh is particularly sensitive to its growing trade deficit with the United States—nearly \$2 billion last year. If trade talks falter and US protectionist pressure grows,

however, the Saudis will threaten and probably will carry out retaliatory measures—through the GCC—to try to defend its interests in the US market. [redacted]

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Tensions between Western petrochemical producers probably will increase as long as Riyadh is unsuccessful in finding new markets for its petrochemical exports. The EC is likely to push the United States and Japan to share the burden of additional imports of Gulf petrochemicals, which they believe they will be forced to accommodate. EC officials predict that 50 million metric tons a year of refined oil products will come into the world market from the Gulf region in 1985-90 and that they can absorb only 20 million tons of this total. [redacted]

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The Islamic Front for the Liberation of Bahrain: A Catalyst for Change [redacted]

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The Islamic Front for the Liberation of Bahrain (IFLB)—an Iranian-backed Shia dissident group—poses a serious terrorist threat to the island state. The group is working to facilitate Tehran’s goal of establishing an Islamic republic in Bahrain and is using terrorist tactics to achieve this aim. Operatives of the IFLB have been apprehended over the past two years on missions to assassinate top government leaders, sabotage key economic installations, and subvert or neutralize intelligence units. Although the group has not previously attacked US targets, it seeks to end the US presence in Bahrain and thus poses a potential threat to US personnel and facilities.

[redacted]

Background

We believe the IFLB is the largest of the Iranian-backed Shia dissident organizations in the Arab states of the Persian Gulf. The group was established in 1979 following the emergence of the Khomeini regime in Iran and has since aggressively recruited and trained Bahraini Shias. The group’s most notorious act was an abortive coup attempt in Bahrain in December 1981, which resulted in some 70 arrests.

[redacted]

Bahrain is susceptible to Iranian-sponsored subversion for several reasons. It is the only Arab Gulf state with a Shia majority—some 70 percent of the population. According to US Embassy reporting, complaints against the ruling family for corruption and greed are rising, and demonstrations during Ashura—a Shia holy period—have grown more disruptive each year. The Bahraini economy, moreover, is gripped by a recession. Because Shias historically have been the economic underdogs, they believe they are bearing the brunt of the economic downturn and their discontent is rising.

Leadership and Organization

The IFLB’s headquarters is in Tehran, [redacted]

[redacted]

[redacted] Its leader, Abd al-Hadi Muhammad Mudarassi,

is an Iranian cleric and a close relative of a prominent Iranian ayatollah. [redacted]

[redacted] Mudarassi was Khomeini’s personal representative to Bahrain following the Iranian revolution but was expelled because of his subversive activities among Bahraini Shias. [redacted]

[redacted]

[redacted]

Bahraini security officials believe the IFLB’s current membership is at least 1,500 and could be larger because the group’s clandestine and cellular structure makes reliable estimates difficult. Large numbers of

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Major IFLB Events			
		local sympathizers add to the group's effectiveness by providing funds and tacit support. [redacted]	25X1
August 1979	<i>IFLB leader Abd al-Hadi Muhammad Mudarassi expelled from Bahrain.</i>	Goals and Strategy The IFLB is dedicated to overthrowing the ruling Sunni Muslim Khalifa family and establishing an Islamic republic along Iranian lines. The IFLB also calls for eliminating corruption and Western influence, including revoking the US Navy Middle East Force's right to use local port facilities. [redacted]	25X1
December 1981	<i>Coup attempt foiled.</i> <i>Bomb explodes prematurely in London, killing two Bahrainis. Bahraini Embassy likely target.</i>	The IFLB's strategy is to use a small cadre of well-trained, fanatic Shia fundamentalists to spearhead a revolution among the discontented Shia community. [redacted] IFLB leader	25X1
June 1981	<i>Murder of Bahraini security officer. IFLB member confesses in July 1985.</i>	Mudarassi believes a successful revolution requires the support of at least 40 percent of the Shia community. Consequently, Mudarassi stresses that every opportunity must be seized to incite hatred among the people toward the Khalifa government and to revive the belief that Bahrain belongs to the Shias. Mudarassi contends that the elements for promoting such hatred exist in Bahrain, and it only requires a group of well-trained activists to "light the fuse." [redacted]	25X1
	[redacted]		25X1
December 1984	<i>Five incidents of sabotage against telecommunications facilities in probable attempt to disrupt Independence Day.</i>		25X1
June 1985	<i>Eight Bahrainis arrested and expelled from London for involvement in anti-Bahraini activities.</i>	Tactics The IFLB's primary tactics are terrorist actions that could destabilize the government or serve as catalysts for a popular uprising. [redacted]	25X1 25X1
August 1985	<i>Imprisoned IFLB member [redacted] hunger strike. Martyrdom expected to coincide with Ashura demonstrations and incite discontent.</i>	[redacted] Among its recent efforts:	25X1 25X1
September 1985	<i>IFLB member confessed to planning suicide car bombing of government building in November. Prime Minister's son likely target.</i>	<ul style="list-style-type: none"> • Information on the activities and routine of the Amir and his ministers. • Identification of Bahraini security and intelligence personnel and their families. • Security arrangements at the US Embassy. • Layouts of the Jaww prison where IFLB members are detained, Government House, the police fort (Ministry of Interior), and new government buildings. 	25X1
	[redacted]		25X1

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Key IFLB Personalities**Abd al-Hadi Muhammad Mudarassi:**

Leader, Islamic Front for the Liberation of Bahrain
An extremist by all accounts, Abd al-Hadi Muhammad Mudarassi retains the tacit support of high-placed Iranian clerics and has used his access to Tehran radio to incite IFLB supporters. His extremism has often conflicted with Iranian foreign policy and embarrassed Tehran. [redacted]

[redacted] he has fallen out of favor with Khomeini after serving briefly as Khomeini's "personal representative" in Bahrain in 1979. In 1982 he was tried in absentia in Bahrain for planning and helping execute a 1981 coup attempt. While Hadi no longer enjoys the power he had before the coup attempt, he retains close ties to Ayatollah Montazeri, Khomeini's announced successor, [redacted]

[redacted] Now in his late thirties Hadi, a *Hojjat al-Islam* (one rank below Ayatollah), helped found the fundamentalist umbrella group known as Islamic Action with his brother Taqi and their uncle, Muhammad Husayn Mahdi Shirazi. [redacted]

Muhammad Taqi Mudarassi

Intelligent, pragmatic, and a good organizer, [redacted] Muhammad Taqi Mudarassi enjoys good relations with the Iranian leadership—especially Ayatollah Khomeini, of whom he is a disciple. Since September 1984, Taqi has directed the activities of all Iranian-controlled Shia dissident groups operating in the Gulf. He works closely with his brother Hadi in controlling the IFLB. Taqi, about 40, is also a *Hojjat al-Islam* and a doctor of Islamic law. He served as Khomeini's liaison with Shia groups inside Iran before the overthrow of the Shah. Taqi replaced his uncle Muhammad Husayn Mahdi Shirazi as head of Islamic Action in 1981. [redacted]

Muhammad Husayn Mahdi Shirazi

The 65-year-old Shirazi continues to serve as spiritual inspiration to many IFLB members from his home in Qom, Iran. He has played only a limited role in Islamic Action activities, however, since he lost leadership of the group to his nephew, Muhammad Taqi Mudarassi, in 1981. Shirazi fell into disfavor because of his contacts with Ayatollah Shariat-Madari (a rival to Khomeini) and the perception on the part of Iran's leaders that his political ambitions conflicted with theirs. A capable organizer, [redacted]

[redacted] Shirazi helped found Islamic Action with his nephews in 1979. Although he claims to be an Ayatollah, his status is not recognized by most Iranian clergymen. [redacted]

Mustafa Hashim Rida Musawi

Musawi, a 28-year-old Bahraini Shia militant imprisoned in Bahrain, chose martyrdom to further the IFLB cause. The IFLB persuaded him to begin a hunger strike on 25 August 1985 in the hope that his death would coincide with the sacred Shia holiday of Ashura (24 September), [redacted] Musawi began intravenous feeding on 16 September after Bahraini authorities transferred him from prison to the officers' wing of a hospital. In late September, Musawi's father, visiting at the behest of Bahraini authorities, persuaded him to take some nourishment. Ashura passed without major incident, but Bahraini authorities are concerned that, should Musawi die, his martyrdom could set off a new round of antiregime violence. [redacted]

- Procedures for entering the police fort in Manama and restricted areas of the airport.
- Information about the building used to control security on the Bahraini-Saudi causeway. [redacted]

Propaganda plays an important role in the IFLB's activities. The group uses literature, mosques, prayer houses, and front organizations, such as the Islamic

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Association of Bahraini Students, to exploit Shia economic, political, and religious grievances. Recent practices include:

- The IFLB broadcasts a daily four-hour Arabic "Voice of the Islamic Revolution in Bahrain" program to Bahrain from Tehran's state-run radio. The program has called on the people of Bahrain "to take to the streets and resist with your chests the bullets of the soldiers of the ruling regime in Bahrain and . . . learn the lessons of the revolution in Iran."
- In August, an imprisoned IFLB member began a hunger strike at the direction of the IFLB command, which hoped his martyrdom would coincide with the Ashura demonstrations.
- A magazine article published in Tehran in August alleged that members of the ruling Khalifa family and various government ministers were linked to a prostitution network in Manama.
- In September, an IFLB leaflet appeared to implicate the Bahrain security service in the death of a popular Bahraini mullah. The leaflet surfaced again in November attacking the government, the security organizations, and their US supporters.

IFLB propaganda probably is quite effective in attracting radical recruits.

[Redacted]

[Redacted] The effectiveness of IFLB propaganda in inflaming and rallying the Shia community, however, is limited by the IFLB's clandestine structure, its strong identification with Iran, and the lack of central leadership within Bahrain.

Sources of Support

The IFLB receives extensive Iranian support. Iran provides propaganda material, funding, and assistance in infiltrating into Bahrain. Iranian officials also help to identify potential recruits and conduct ideological and religious indoctrination and military training.

Bahraini security officials, for example, have identified hundreds of Bahraini Shias who have received training in military and terrorist techniques in Iran, Syria, or Lebanon, and the security service believes some 200 IFLB members are undergoing training in Iran.

[Redacted]

In Bahrain, the IFLB receives generous contributions from prominent Shia families, wealthy merchants, and others who apparently want to hedge their bets in the event of a revolution. We are uncertain of the extent of cooperation between the IFLB and the Islamic Call Party (Dawa)—Bahrain's other major Shia dissident group. Leaders of the two groups, however, have clashed in the past, and the Dawa has accused the IFLB of poaching potential recruits arriving in Iran from Bahrain.

Implications

The Government of Bahrain remains in power through economic incentives and the effectiveness of its security and intelligence services. A successful terrorist action inflicting a heavy blow on the security forces or removing the top leadership could result in widespread demonstrations that the regime would be hard pressed to control, according to US Embassy reporting.

The IFLB's elaborate network of cells and supporters also poses a threat to US personnel and facilities. In Manama, the Administrative Support Unit for the US Middle East Naval Force and Central Command is

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particularly vulnerable to a terrorist attack. The IFLB, moreover, could hamper the ability of US military forces to operate effectively if the United States becomes militarily involved in the Persian Gulf. US contingency planning envisions some use of Gulf facilities, but they are vulnerable to sabotage.

[Redacted]

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Divide and Rule: Soviet Regional Policy in Afghanistan

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Soviet operations in Afghanistan are evolving in a way that suggests a regionally differentiated strategy that demographic trends reinforce. Such a strategy appears to entail pacifying, assimilating, and economically exploiting the region north of the Hindu Kush; fomenting tribal divisions in the east; neutralizing and bypassing the central Hazarehjat region; and depopulating the southwest to deny it to the resistance. The Soviets may believe that a regional approach to the war offers them the best prospect of controlling strategically important parts of the country in the medium term, while long-run trends in the region work to their advantage. Their ability to control northern Afghanistan will be essential to the success of this strategy.

The Demographic Backdrop

Population flows in Afghanistan are stabilizing after five years of major war-engendered shifts. Over half the prewar population of Afghanistan has probably relocated since the war began. Between 25 and 33 percent of the preinvasion population are estimated to have been driven out of the country, and another 25 percent have moved to cities to seek refuge. Internal redistribution of the population also seems to have slowed, as cities and refugee camps have become less attractive for resettlement. The massive 75-percent growth in urban population between 1979 and 1985, for example, seems to have peaked.

These shifts are probably enabling Moscow to plan a regional strategy with some degree of certainty. Conceptually, the Soviets probably divide the country into four regions, based both on their perceived strategic importance and their ethnic makeup:

- *Northern Afghanistan.* The north's nine provinces bordering the Soviet Union have the greatest ethnic affinity with Soviet Central Asia. It is also the region where the Soviets have the greatest economic

interests and where they are best poised to project military power.

- *The Hazarehjat.* This central region of Afghanistan is characterized by its predominantly Shia population, its isolation, and its lack of strategic importance.
- *Southeastern Afghanistan.* This mountainous territory is critical to the resistance because of its proximity to Pakistan, and to Moscow because it contains the politically important capital, Kabul. The area's largely Pashtun society is tribally based.
- *Southwestern Afghanistan.* The mountainous, desert region bordering Iran and Pakistan's Baluchistan is inhabited by the Baluch and Pashtun tribes, which have historically resisted foreign domination. The region is geopolitically significant because of its relative closeness to the Persian Gulf.

These features provide incentives for the Soviets to tailor their strategy in Afghanistan to local geographic, ethnographic, and demographic characteristics.

Assimilating Northern Afghanistan

Soviet regional strategy depends on assimilating—but not formally annexing—northern Afghanistan to Soviet Central Asia. With an eye toward subduing the population, Moscow is pursuing a relatively less aggressive military policy. According to media and resistance sources, the Soviets do not appear to be undertaking military operations against the civilian population or the agricultural infrastructure. The flat, open terrain, moreover, inhibits guerrilla activity and allows Soviet forces to cross the border rapidly to conduct counterinsurgency operations.

* This article was prepared by a contractor who relied exclusively on unclassified literature. It was not coordinated within this Agency. The views expressed are those of the author.

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17 January 1986

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The Soviets are investing heavily in northern Afghanistan and appear to be integrating it economically with the USSR. Their economic investment here—which is largely in minerals and industry—is much greater than in any other region. The high level of Soviet economic activity serves to tie the northern economy and its labor force into the Soviet economy and suggests that Moscow will continue to moderate its military activity in the region to protect its investment. The degree of economic integration, moreover, belies Soviet claims of seeking an independent, albeit friendly, Afghanistan ruled from Kabul.

Politically, the Soviets seem to be banking on appealing to the ethnic minorities in the region and their affinity to Soviet Central Asians. Propaganda printed in local languages promotes Central Asian figures and history. The Afghan Ministry of Nationalities and Tribal Affairs, under KHAD's direction, oversees the effort. The Afghan official in charge of the northern zone—a Central Committee member—was praised publicly by President Babrak Karmal for his effectiveness in pacifying the north. The pacification of Uzbeks, Tajiks, and Turkmens also has historic precedents, in contrast to tribal areas south of the Hindu Kush.

The Soviets are also relying on coercive measures in the north. These include intimidation, economic coercion, infiltration, and military reprisals against uncooperative villages. The coercive apparatus in the north differs markedly from other areas of the country. The police and militia outnumber regular Afghan forces by almost 3 to 1 an extremely high ratio. The locally recruited police and militia probably serve as a specialized force for local control. This arrangement may prove more acceptable to the local population, who have traditionally resented control by Pashtuns.

Isolating Central Afghanistan

The Soviets appear to have assigned low priority to the Hazarehjat. The handsoff policy appears to be encouraging conflicts among rival groups in the region

* This article was prepared by a contractor who relied exclusively on unclassified literature. It was not coordinated within this Agency. The views expressed are those of the author.

Soviet Economic Projects in Northern Afghanistan

Key projects that reflect the magnitude of the Soviet commitment to integrating the northern Afghan economy into that of Soviet Central Asia include:

- *Extensive exploitation of natural gas reserves in northern Afghanistan. The Soviets developed the gasfields in the 1970s and built a gasline to carry the reserves to Soviet Central Asia.*
- *An electric grid tied to the USSR. According to Kabul press reports, the first stage of the transfer of 220 kilowatts of electricity from the Soviet border to Kabul was completed in June 1985. Another 110-kilowatt substation on the Mazar-e Sharif line was inaugurated.*
- *A large cement factory. Kabul sources report that a Soviet-financed cement plant in Baghlan Province is operating beyond expectations. Another plant is to begin construction in 1985 with Czechoslovak assistance. The Soviets "trade" their inferior cement for the superior Afghan product.*
- *A large fertilizer plant in Mazar-e Sharif.*
- *Bridges across the Amu Darya. The Soviets completed a bridge at Termez before invading the country. These could be used for better transport of northern minerals, such as coal and iron, to the Soviet Union.*
- *A large dam. A 40-megawatt dam is under construction north of Herat that should irrigate 73,000 hectares. Its current status is unknown.*



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that make it a less effective resistance stronghold. Pro-Iranian groups, actively supported by Tehran, are contesting with older traditional leaders for influence among Hazaras.

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Fostering Tribal Warfare in the East

The Soviet strategy in eastern Afghanistan appears designed to defeat the enemy by depriving it of local support. Military operations have been concentrated in the vicinity of Kabul, between Kabul and Jalalabad, in the Panjsher Valley, and in Paktia, Lowgar, and Vardak Provinces. These areas have suffered high levels of destruction, civilian deaths, and depopulation.

The current strategy to drive out or kill civilians, however, has peaked, as suggested by the drop in the rate of rural migration. Tribes and families inclined to migrate have done so for the most part. Those remaining are hardened to war conditions, have learned to adapt, and are determined to stay.

Soviet strategy probably has already shifted from one of killing numerous civilians to one of negotiating settlements with individual tribes. There is considerable evidence of local truces with some tribes and a major effort by KHAD to co-opt tribal militias.

Kabul has had some success with transborder tribes—Afridis, Shinwaris, Mohmands, and Waziris—that benefit from trade or heroin production, or that have scores to settle with Pakistan. Moscow might even revive the Pashtunistan issue—particularly if it assimilates the north—to compensate Pashtuns for the loss of influence north of the Hindu Kush and increase long-term pressure on Pakistan.

Destroying Southwestern Afghanistan

The dramatic population drop in southwestern Afghanistan is indicative of a concerted effort by the Soviets to deny this region to the resistance rather than to control it. The brutality of the military campaign here, the lack of natural resources, and the regime's failure to break the will of the resistance further support this view. Unlike cities in the northern sector and the east, cities in the southwest have not swelled with immigrants but have lost substantial portions—perhaps 30 percent—of their population. High-altitude bombing has destroyed much of Herat and as much as 50 percent of Qandahar, according to press reports.

[Redacted]

Prospects

Although a regionally differentiated strategy may offer the Soviets the best chance of achieving their medium-term objectives in Afghanistan, it does not guarantee success. Kabul and Moscow may fail to pacify the northern population—the key to the success of this strategy. Many northerners remember Soviet harshness in suppressing the Basmachi uprisings against Soviet domination of Central Asia in the 1920s and 1930s. In addition, pacification is a more delicate operation than depopulation or stoking tribal enmities. The northern population, moreover, continues to support the resistance, particularly the fundamentalist Jamiat groups. A failure to subdue the north would increase pressure on Moscow either to seek a negotiated settlement or to up the military ante.

The Soviets, however, will probably not seek to annex northern Afghanistan. Annexation would raise an international outcry, give credence to charges of Soviet expansionism, and draw attention to a war that the Soviets would prefer the world forget. More important, annexation would expand the size of the Soviet Central Asian population—a development the Soviets would probably seek to avoid both for reasons of ideological control and demography. Annexation would also have an adverse impact on Soviet efforts to build an effective regime in Kabul, as no regime there would accept such a move.

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**Communal Conflict in Sri Lanka:
The Muslim Wild Card** [redacted]

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Sri Lanka's approximately 1 million Muslims have become increasingly caught up in the Sinhalese-Tamil communal violence over the last several months. Concentrated primarily in the strategic Eastern Province, Muslims have suffered casualties, lost businesses and homes, and have been forced into refugee camps as a result of the ethnic fighting. Tamil demands for linking the Eastern Province to the predominantly Tamil Northern Province have given Muslims a major stake in Sinhalese-Tamil negotiations. We believe the government will take Muslim interests into account in a negotiated settlement. If no political settlement is reached and full-scale fighting resumes in the Eastern Province, Muslims may resort to arming themselves—perhaps with outside Arab support—dimming even further prospects for a negotiated settlement and expanding the scope and intensity of Sri Lanka's communal conflict. [redacted]

by both Tamil insurgents and government security forces. [redacted] the fighting has created more than 5,000 Muslim refugees in Trincomalee alone. Harassment and robberies by the insurgents have prevented some Muslim farmers from planting this year's rice crop and have forced some Muslim shopowners out of business. [redacted]

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The continuing violence is gradually eroding the neutrality of Muslims in the Sinhalese-Tamil conflict. Four days of extensive fighting between Muslims and Tamils in April 1985 and new clashes in October underscored Muslim frustrations with disruptions of the local economy and the murder by insurgents of alleged Muslim informants. The US Embassy in Colombo reports Muslims near Trincomalee staged a strike in September to protest what they viewed as insurgent attempts to coerce Muslim residents into leaving the city. In recent months, Muslims and Tamil civilians have worked closely to restore good relations, but the continued presence of guerrilla strongholds in densely populated Muslim areas of the East could easily spark a new round of Muslim-Tamil rioting. [redacted]

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Muslims in Sri Lanka

Sri Lanka's Muslims represent only 8 percent of the general population but are a major political and commercial force in Sri Lankan society. Their successful management of Sri Lanka's lucrative gem industry, extensive ties to the Arab world, and prominent role in a broad range of commercial enterprises are an important asset to the economy. Although Sri Lanka's Muslims are for the most part Tamil-speaking, they are strongly opposed to Tamil separatism and form substantial voting blocs in both main Sinhalese political parties. They are organized into many associations, enjoy educational and legal concessions from the government, and have retained a distinct cultural and religious identity that is accepted by both Tamils and Sinhalese. [redacted]

A Muslim delegation, including leaders of the All Ceylon Muslim League, met with Sri Lankan President Jayewardene in November to declare the Muslim community's opposition to Tamil demands for a merger of the Northern and Eastern Provinces into a single administrative unit. The Muslims recognize a merger of the provinces would reduce their electoral strength, leading to a significant loss of Muslim representation in Parliament and fewer seats in any provincial council born out of the negotiations. [redacted]

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The insurgency's deep penetration during 1985 into the Eastern Province—where Muslims represent 33 percent of the population—and the resulting warfare have drawn Muslims into the crossfire between Tamil guerrillas and government forces. Press reports indicate a small number of Muslims have been killed

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Muslim leaders have made their case to the militants as well. Before the start of a second round of peace talks last August, a Muslim delegation told key Tamil militant leaders in Madras of their opposition to the merger of the Northern and Eastern Provinces, but Muslims recognize that insurgent strength in the East rivals the government's security forces and represents a growing political authority directly affecting their community's interests. We believe the inability of government security forces to protect Muslim interests and the likelihood of increased fighting in the East will compel Muslims to continue their contacts with the militant leadership. [redacted]

The Importance of the Eastern Province

Tamil insurgents and government security forces consider control of the Eastern Province vital to the outcome of Sri Lanka's two-and-a-half-year-old insurgency. For Tamils, the Eastern Province contains important economic resources—port facilities, arable land, and light industry—for an independent Tamil state and encompasses an area traditionally regarded by Tamils as their homeland. The union of the predominantly Tamil Northern Province with the economically important Eastern Province is critical to an independent Tamil state and the goal of the Tamil insurgency. [redacted]

The government's stakes in the East are no less compelling. Having ceded de facto control of the North to Tamil guerrillas, the East has become the government's last line of defense against the insurgency and the possible partition of Sri Lanka. The East is also a major beneficiary of the government's most important development effort—the Mahaweli Development Program, intended to provide newly irrigated land for Sinhalese farmers and increase food and cash crop production—and includes Trincomalee, Sri Lanka's best natural harbor. [redacted]

The government's most important resource in the Eastern Province and its strongest defense against the insurgency are the Sinhalese and Muslims who together compose 66 percent of the population. This legitimizes Colombo's claim that the Eastern Province cannot be considered part of a Tamil-dominated region. To further dilute the Tamils' position, the

government has subsidized and even armed Sinhalese to settle in the Eastern Province. The resettlement of Sinhalese peasants—who tend to reflect strong cultural and racial biases against Tamils—and continued Muslim opposition to Tamil separatism have made the Sinhalese and Muslim communities a prime target of insurgent operations. During the Muslim-Tamil clashes last spring, the government encouraged Muslims to attack Tamils and provided them with arms. [redacted]

The Muslim Wild Card

The emergence of the Muslim community as a third protagonist in Sri Lanka's ethnic strife represents a destabilizing element in the long term. In our view, an attempt by Muslims to use force to assert their community's interests in the face of prolonged Sinhalese-Tamil warfare would accelerate the forces of social decay already under way in Sri Lanka. Moreover, the Muslim community's strong links to the Arab world could introduce major outside powers into Sri Lankan internal affairs, undermining Sri Lankan sovereignty and broadening the conflict beyond South Asia. [redacted]

Sri Lankan Muslims have already initiated contacts with Arab states in a bid for military assistance.

[redacted] some Muslims in Batticaloa favor the establishment—with Arab assistance—of armed Muslim groups to protect the Muslim community from financial ruin and forced removal by the insurgents. Muslims have asked Sri Lankan Government officials who have links to Iran and Iraq to help them acquire arms. Other Muslims last August visited the Libyan mission in Colombo to request military training. We have not identified Arab provision of military weapons or training to Sri Lankan Muslims, but a major escalation of fighting in the Eastern Province directly affecting the Sri Lankan Muslim community could prompt such support. [redacted]

Outlook

Colombo's continued opposition to the merger of the Eastern and Northern Provinces in any settlement will protect Muslims from the threat of Tamil

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domination and reduced Muslim representation in Parliament. A compromise formula proposed by moderate Tamils and perhaps acceptable to the government that would add a combined regional council to the separate provincial governments in the North and East, however, would reduce Muslim electoral strength at the regional level.

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If peace talks fail and violence resumes, we believe hardliners in the Muslim community would assume a greater leadership role and step up efforts to build an independent Muslim defense. In our view, armed Muslim factions could push Sri Lanka closer to internal chaos. Although the Muslims and the government would share a common enemy, the advent of Muslim militias would weaken the government's already tenuous control over local civil administration and increase the role of outside powers in Sri Lanka's internal affairs.

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Outside intervention in Sri Lanka would almost certainly provoke concern in New Delhi. In our view, New Delhi would press Colombo to block arms shipments to Muslims and would increase its intelligence gathering. New Delhi considers Sri Lanka firmly within India's security sphere. Moreover, a deterioration in Sri Lanka's political stability caused by Muslim militias would pose the threat of an increased refugee flow to India.

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A decision by Pakistan, which is already supplying weapons and training to the government, to provide even modest assistance to Sri Lankan Muslims would probably provoke an Indo-Pakistani diplomatic confrontation. Pakistani support would also complicate India's slow-moving mediation effort by introducing the interests of an outside power and strengthening the negotiating position of Sri Lanka's Muslims.

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India: LCA—Light Combat Aircraft or Last Chance for Aeronautics? [redacted]

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India hopes its domestic Light Combat Aircraft (LCA) program will both stimulate its aeronautics industry and reduce the Air Force's dependence on Soviet aircraft. Bureaucratic infighting, lack of technical expertise, and spiraling costs coupled with the attractiveness and availability of foreign technology, however, have considerably slowed the program's progress. If the program gets off the ground, it may offer a substantial role to US companies because of growing Indian interest in Western design and components for the aircraft.

[redacted]

the LCA to be an all-purpose fighter able to counter Pakistan's newly acquired F-16s. An air superiority mission tacked on to an essentially ground attack aircraft or vice versa would result in mediocre performance in either role. [redacted]

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Current Defense Ministry plans call for a test flight by 1990 and full production to begin with 20 aircraft by 1994. Diplomatic and [redacted]

[redacted]

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What the Indians Want

New Delhi hoped to further its goals of technological independence, industrial expansion, and military security by designing, producing, and fielding its own first-rate jet fighter when the LCA program was initiated in the early 1980s.¹ V. S. Arunachalam, chief science adviser for the Ministry of Defense and one of the program's major boosters, places great emphasis on India producing its own aircraft and "breaking the MIG syndrome" as well as on acquiring Western technology, such as sophisticated computers, that can be used in other programs as well. Officials of Hindustan Aeronautics, Ltd. (HAL), India's government-owned aircraft manufacturing firm, believe a successful LCA program can guarantee the nation's emergence as a major aircraft producer.

[redacted]

Problems Hindering LCA

Despite New Delhi's hopes for an indigenously designed and produced aircraft, the Indians, in our view, lack the technological expertise and production capacity to build the LCA on their own. Some HAL engineers, half in jest, say the acronym stands for India's "last chance for aeronautics."

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[redacted] HAL is short of engineers and lacks the proper facilities to produce the LCA once the design and development stages are completed.

[redacted] HAL has tried to hire aerospace engineers in the West but is not having much success. Current plans call for foreign help in the LCA's design and for the incorporation of complete foreign subsystems, including avionics and engine. [redacted]

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The LCA program is steadily accruing higher costs and falling far behind schedule. [redacted]

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[redacted] In defending the LCA in Parliament last May, India's Defense Minister admitted that research

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¹ India's sole previous attempt to build its own fighter resulted in the "Marut"—an aircraft of limited capabilities produced in small numbers in the 1960s and 1970s and now serving largely as target decoys. [redacted]

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and development costs would continue to rise beyond the original estimate of \$416 million. Opposition critics are already arguing that the LCA should be scrapped. [redacted]

Technical and cost problems have led some officials to reconsider the basic goals of the program, leading in turn to increasing bureaucratic disputes. Diplomatic sources indicate that many Air Force officers, who doubt that an adequate LCA can be built in the allotted time frame, favor purchasing a foreign aircraft to fill the gap until India can produce its own. Project redefinition has prompted Arunachalam's increasing involvement in the program, [redacted]

The Question of Foreign Content

The availability and attractiveness of foreign technology, combined with the program's other problems, have prompted New Delhi to turn increasingly to foreign—mainly Western—suppliers. [redacted] India approached several West European firms for help in designing the LCA and received feasibility studies last March from four of them. [redacted]

[redacted] In response to New Delhi's request, the United States has released the GE-F404 engine for use in the LCA, although we believe some officials remain interested in the British RB 199-104 engine as an alternative. [redacted] the Soviets also have offered design assistance and subsystems for the LCA. [redacted]

The hard lobbying by high-ranking Air Force officers for an aircraft as soon as possible increases the possibility that India will purchase a complete fighter. [redacted] the Soviets are pushing New Delhi to consider a favorably financed coproduction deal for the MIG-29—a prospect some Air Force officers are said to favor. We believe the Soviets fear that India's large-scale acquisition of Western hardware or development of its domestic military technology and industry could

threaten the USSR's longstanding position as India's major arms supplier. The heavy, twin-engine MIG-29, however, does not fit India's present requirements for an LCA. Diplomatic sources report the Air Force is interested in examining the Northrop F-20—one senior Air Force officer saying "the plane might sell itself if we could kick the tires." Other light, multipurpose fighters are scheduled to enter production in the West by the early 1990s—like the Swedish Gripen and the French Rafale—that could fill the LCA's role and may become available for export. [redacted]

Implications for the United States

The Indians' waning confidence that they can build the LCA with their own resources opens opportunities for US aerospace companies. The Indian scientific and industrial establishment—particularly Arunachalam—regards US technology and expertise highly, and [redacted] most Air Force officers consider US military equipment the best in the world and far superior to Soviet systems. Diplomatic sources indicate that New Delhi has leaned heavily toward European help in the program's design phase only because no US designer expressed interest until Northrop initiated discussions last fall. [redacted]

Outlook

The Indians seem determined to pursue the LCA program to completion. We do not believe that they will be able to produce a finished LCA within their present schedule or budget. Furthermore, we believe that production will require even more outside design help and foreign-made subsystems than New Delhi is now considering. It, however, will serve to keep India's aeronautic industry in business through the end of the century. [redacted]

Although growing problems with the program increase the possibility that New Delhi may drop the LCA and buy a foreign aircraft, we believe the Indians would view such a move as a stopgap measure until domestic industry is capable of producing an LCA. Should New Delhi decide to buy an LCA

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outright, the F-20 is a strong contender. West European competitors, however, could be expected to push their candidates hard and, given India's continued coolness to buying major US weapons, could win the contract. Moreover, the number of foreign aircraft purchased would probably be small. Prime Minister Gandhi has made clear his preference to spend funds at home for the development of domestic technology.

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**Nepal:
Drugs in the Kingdom** [redacted]

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Narcotics trafficking and drug abuse are growing in Nepal. The upsurge in narcotics-related money in Kathmandu has created new pressures on the government to contain bureaucratic corruption and to insulate the King and the palace from charges of involvement in the illicit trade. Nepal's growing international popularity as a transshipment point for drugs moving to Western Europe and the United States and Kathmandu's apparent inability to control this trade for the first time threaten to become a factor of regime instability. We believe there is little prospect the current administration will be able to deal effectively with the narcotics problem because of widespread corruption. [redacted]

[redacted] drug abuse in Nepal has shifted from marijuana to heroin in the last two years, and heroin is the easiest narcotic to obtain in Kathmandu. [redacted]

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- The addict population of the capital alone has jumped from an estimated 500 in the late 1970s to between 12,000 and 18,000.
- The annual cost of heroin consumed by these addicts is nearly \$3.6 million, or about 7.5 percent of Nepal's annual national budget. [redacted]

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Nepalese Narcotics Trafficking

[redacted] Nepal's increasing importance as an international trafficking center parallels a shift in the sources providing narcotics for domestic consumption and for transshipment to the West. Before 1981 most heroin entered Nepal by air from Thailand, [redacted] but high-quality heroin now comes predominantly overland from Burma via eastern India. Most low- and medium-quality heroin in Nepal is produced in Pakistan and India and enters the country by air from New Delhi or overland through scattered railheads along the southern and western borders. [redacted]

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Background

Nepal has been a drug haven for marijuana users since the late 1960s. Prices for locally grown marijuana always have been among the lowest in the world, and local officials have an international reputation for complacency. Marijuana is regularly mixed with tobacco and smoked by Nepalese of all classes, although most sources concur that marijuana addiction among the local population until recent years was quite low. [redacted]

Nepalese are increasingly sought after as narcotics couriers by international traffickers, according to reports from the US Customs Service, US Drug Enforcement Agency, and US Embassy in Kathmandu. Nepalese couriers offer several advantages, [redacted]

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Press accounts note that in the early 1980s there was a steady rise in the use of Kathmandu as a transshipment point for heroin and other opiates produced in the Golden Triangle (Burma, Laos, and Thailand) and the Golden Crescent (Iran, Pakistan, and Afghanistan). During this same period, the indigenous drug abuser population began to grow rapidly. Describing the Nepal drug scene in late 1985, [redacted] resident of Kathmandu active in the capital's only detoxification program noted:

- There is no effective government control effort. Nepalese arrested for narcotics trafficking or abuse are usually not charged or punished.
- All aspects of the narcotics trade have been taken over by Nepalese nationals who forced Western traffickers out of the lucrative drug business. [redacted]

- Nepalese can take advantage of natural cover for their travel, [redacted] with [redacted] legitimate reasons for traveling to Europe and East Asia.

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- Until recently, Nepalese were rarely suspected of trafficking in significant amounts of narcotics.

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- Many Nepalese have good personal relations with Americans and other Westerners who have vacationed in the country and have used these connections to gain visas and other documents for foreign travel. According to Embassy reports, the large number of Nepalese applying for tourist and business visas to the United States parallels the increase in drug trafficking through the country in the last two years. The Embassy estimates that more than 20 percent of Nepalese visa applications are connected with illegal drug smuggling. [redacted]

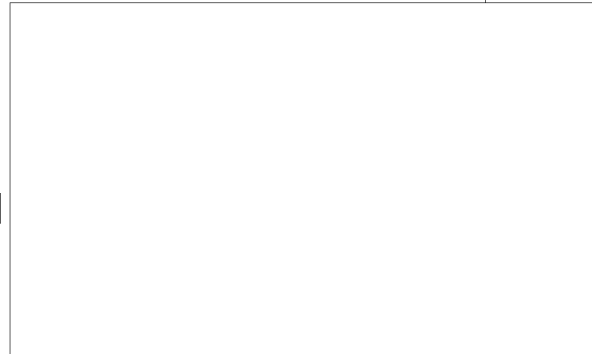
Nepalese have been arrested in increasing numbers over the last two years for carrying large amounts of contraband narcotics. Gurkha soldiers carrying large amounts of heroin and cannabis were arrested last summer by customs officials in London and Hong Kong. A Nepalese Gurkha who had served in Hong Kong was arrested at about the same time in Des Moines, Iowa, and charged with narcotics trafficking, according to the US Consulate in Hong Kong. Nepalese have been arrested for transporting heroin to or through the United States on at least six occasions during the last year, according to US Customs Service records. [redacted]

We believe large drug trafficking rings in Kathmandu are becoming increasingly sophisticated in exploiting traditional Nepalese trade connections to meet the demands of the new narcotics trade. US Customs Service reports note that the increase in narcotics transshipment through Nepal has been greatly enhanced by the growing number of international flights through Kathmandu. [redacted]

[redacted] the national carrier, Royal Nepal Airlines, has opened routes to Europe and the Persian Gulf to facilitate the narcotics trade. Nepalese traffickers who previously supplied Hong Kong with heroin are increasingly turning up in Europe and North America carrying large amounts of Southwest Asian-origin narcotics. [redacted]

Nepalese narcotics traffickers recruit couriers from ethnic groups whose traditional vocations involve either petty smuggling or licit foreign trade or travel, such as Sherpa trek organizers and rug merchants. The drug dealer arranges forged passports and visas, travel expenses, and the necessary letters of

introduction, [redacted]
[redacted] We believe the system is used to transport many kinds of contraband, such as gold, licit drugs, and foreign exchange as well as narcotics. [redacted]



Control Efforts and Corruption

Efforts to improve the effectiveness of Nepal's antinarcotics program are complicated by the increasing level of corruption in both the government and private sector. Although corruption is institutionalized in Nepal and the system of "chakadi" (gifts) to guarantee official favor is standardized, we believe the rising influx of narcotics-related funds into this system has skewed the traditional relations between favor-seekers and officials and facilitated the increase in trafficking. [redacted]

Until early 1985 the Government of Nepal officially denied the country had a domestic drug problem, pointing to the large numbers of foreigners using drugs in Kathmandu as the only issue. The government resisted diplomatic pressure to sign international narcotics control accords, claiming the country had no need for international drug control assistance. [redacted]

Kathmandu resisted because:

- The government would face international embarrassment when it proved incapable of implementing the agreements.
- Marijuana cultivation and trafficking are traditional sources of cash for ethnic groups in Nepal's mountainous regions. Cutting off this

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income would result in a flood of unemployed, dissatisfied peasants into Nepal's already overpopulated southern border region. [redacted]

[redacted] We believe that, despite the King's personal commitment to drug control, the high level of corruption in the national administration and Birendra's unwillingness to rein in members of his family and staff are major obstacles to a more effective antinarcotics program. Moreover, in discussions with leading US officials in late 1985, the King appeared to underestimate the scope of Nepal's drug problem and not to understand US concern in controlling the transshipment of narcotics through Kathmandu. [redacted]

Limited efforts by the Nepalese Government to gain control over the burgeoning drug traffic have uncovered the involvement of many high-level government officials. For example, initial efforts to create a drug enforcement capacity in Nepal in the early 1980s were hamstrung by corruption and favoritism, [redacted]

King Birendra believes several foreign embassies in Kathmandu are actively involved in narcotics smuggling. [redacted] The Soviet, Polish, North Korean, and East German Embassies are all suspected of using their diplomatic pouches to move contraband narcotics. According to a major Nepalese journal, Kathmandu recently began to review its relations with North Korea and in late December 1985 began considering whether to expel P'yongyang's representatives from the kingdom on charges of drug trafficking. [redacted]

The director of the first national drug investigation unit was arrested on drug trafficking charges in 1982. [redacted]

[redacted] We believe that Kathmandu's inability to stem the tide of drug trafficking comes in part from an unwillingness to embarrass powerful officials, including members of the royal family. [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Charges of corruption, involvement of senior officials and members of the royal family in narcotics trafficking, and governmental misuse of national development funds are growing more pointed. [redacted]

Beginning in mid-1985, Kathmandu began to respond slowly to growing international and domestic pressures to control the country's drug problem. A new narcotics investigation squad was formed in July 1985. Nepal has sent two drug investigation officers to the United States to study advanced narcotics control techniques, [redacted]

[redacted]

[redacted]

[redacted] We believe Nepal's request in early 1986 for basic narcotics identification kits may reflect the first concerted effort the government has made to monitor or reduce narcotics trafficking.

[redacted]

[redacted] Nepalese citizens have become concerned at the level of local addiction and have created new treatment centers in the

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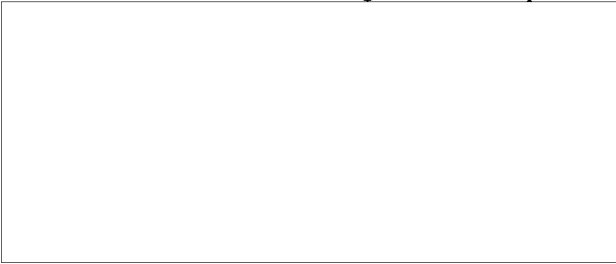
Kathmandu Valley. The alumni organization of the most prestigious private school in the country has won a grant from the World Health Organization with the help of Queen Aishwarya to create a countrywide series of antinarcotics presentations. [redacted]

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Outlook

We believe King Birendra is under increasing pressure from opposition leaders and his own supporters to crack down on drug-related corruption.

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Increased narcotics trafficking and drug abuse, in our judgment, do not directly threaten the stability of the current regime. The narcotics issue, however, has added to domestic pressures—bureaucratic corruption, shifts in traditional social patterns, economic problems—that collectively challenge the government. We believe these pressures will increase as Nepal prepares for national elections this spring. In our view, student leaders and heads of Nepal's outlawed political parties will use the King's inability to handle the country's growing drug problems and the rise in government corruption that has accompanied narcotics trafficking to gather electoral support for antiregime candidates. [redacted]

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Near East and South Asia Briefs

Morocco	Problems With Creditors <input type="text"/>	25X1
	<p>The refusal of Morocco to honor commitments to US and other foreign creditors threatens its economic recovery and may make already strained relations with the United States even worse. Morocco failed last week to meet the second deadline set by commercial creditors to pay \$83 million, the initial sum due under a rescheduling agreement signed last October. The US Embassy in Rabat says Morocco has requested a meeting to discuss the problem. Rabat claims the problem is the result of unexpectedly low remittances from Moroccans working abroad. <input type="text"/> King Hassan used money previously allocated for the payment to settle an old obligation to the French to facilitate discussions for an arms deal. Hassan's gesture may have prompted the French to reopen negotiations on a \$450 million package involving 24 Mirage 2000 jet fighters. <input type="text"/></p>	25X1
	<p>Collapse of the rescheduling agreement would jeopardize Rabat's \$200 million standby loan from the International Monetary Fund. According to the Embassy, Morocco is already in trouble over its failure to meet IMF spending targets. Even if Rabat can honor its agreements with the banks and the IMF, its economic options will be severely limited without a marked improvement in the management of its economy and in the world market for phosphates. In any case, a new IMF program imposing harsher austerity measures on top of a reduced standard of living would probably lead to outbursts of popular discontent. Opponents of Hassan, particularly Islamic fundamentalists, would be quick to exploit any opportunity to highlight his extravagant lifestyle. Hassan may turn to Libya for financial relief. Mu'ammar Qadhafi may seek to take advantage of Hassan's difficulties by offering money in return for US equipment and spare parts for Libyan aircraft. He, however, is unlikely to give Rabat enough aid to turn the economy around. <input type="text"/></p>	25X1
	Tax Reforms <input type="text"/>	25X1
	<p>The Moroccan Government in December pushed through parliament the first phase of its IMF-supported tax reform. A value-added tax, scheduled to go into effect in April, will replace two fraud-ridden turnover taxes on goods and services. Implementation could be delayed, however, because of parliament's concern over the technical complexity of the new tax and, in particular, its potential inflationary impact. The US Embassy believes the value-added tax, which has been in preparation since 1981, will be revenue-neutral. Nevertheless, local retailers may use the tax as an excuse to hike prices. Some government officials fear that any increase in inflation, accompanying an already falling standard of living, could provoke unrest. <input type="text"/></p>	25X1

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Mauritania

Oil Hopes Waning

25X1

Mauritania is unlikely to become an oil producer any time soon, despite initial optimism by US oil companies exploring in country. According to US Embassy reporting, OXOCO's recently concluded onshore seismic studies in southwestern Mauritania proved favorable, but the company decided that the soft world oil market made exploitation of the fields uneconomic. The Secretary General of the Mauritanian Ministry of Mines and Industry believes Texaco has decided to postpone drilling its offshore concession —despite promising seismic results— because of the company's legal battle with Pennzoil. AMOCO also appears to be dragging its feet on exploring potentially lucrative onshore and offshore fields. Although the Mauritanian official maintains AMOCO is interested in exploiting the concessions, a date for negotiating an agreement has not been set.

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