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**Near East and
South Asia Review**

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31 January 1986

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NESA NESAR 86-004
31 January 1986

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**Near East and
South Asia Review**

25X1

31 January 1986

Page

Articles**Pakistan: Military Priorities for the Next US Aid Program**

1

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Pakistan wants almost \$2 billion more in US military equipment for the next multiyear aid program than in the fiscal year 1982-87 program, justifying this on the grounds of the continued threat from India and Soviet forces in Afghanistan as well as the effects of inflation. The Army would get the bulk of the funds.

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Najibullah: An Heir Apparent?

7

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The Soviets appear to be grooming former intelligence chief Najibullah to succeed President Babrak Karmal, but his elevation would reinforce the regime's image as a Soviet-controlled police state and might lead to the collapse of efforts to negotiate a settlement of the Afghan question.

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Iraq: Prospects for the Next Five-Year Plan

11

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Economic development in Iraq will remain slow during the 1986-90 Five-Year Plan as long as the war with Iran and the sluggish world oil market continue. Should world oil prices fall dramatically or the war intensify, Iraq would reduce its development efforts further to avoid unpopular cuts in consumer imports.

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Iraq's Involvement in International Terrorism in 1985

15

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Iraq limited its involvement in international terrorism in 1985, sponsoring activity almost exclusively against Syria and Libya. In 1986 Baghdad will continue to encourage surrogate groups to target Syrian and Libyan interests and may also support PLO attacks against Israel.

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31 January 1986

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[Redacted]

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Libya: Qadhafi's Objectives and Tactics in Chad [Redacted]

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[Redacted]

The level, pace, and timing of Libyan military activities in Chad will be determined by Qadhafi's assessment of possible French and US reactions and other foreign policy priorities, and his current crisis with Washington probably will delay—but not deter—his pursuit of a more aggressive military posture. [Redacted]

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Libya: Impact of Economic Sanctions on the Civil Air Fleet [Redacted] 31

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[Redacted]

US economic sanctions against Libya have reduced Libya's access to new aircraft and limited purchase of required spare parts and maintenance, forcing Libyan leader Qadhafi to conduct a worldwide search for alternative sources, with checkered results. [Redacted]

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Tunisia: Politization of the Military [Redacted]

33

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[Redacted]

Tunisian soldiers are increasingly concerned about political issues and are becoming more interested in involving themselves in domestic politics as a result of financial stringencies, high-level personnel changes, and foreign and domestic political developments. Continued economic and political deterioration will breed further discontent. [Redacted]

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[Redacted]

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Israel-Jordan: The Plight of the East Jerusalem

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Electric Company [Redacted]
[Redacted]

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The current financial plight of the East Jerusalem Electric Company is the latest example of the difficulties faced by Arab firms operating in the Israeli-occupied West Bank, and any resolution of the company's financial troubles must consider political realities as well as economic efficiency. No resolution is likely soon.

[Redacted]

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

[Redacted]

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Articles

**Pakistan: Military Priorities
for the Next US Aid
Program**

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Pakistan wants almost \$2 billion more in US military equipment for the next multiyear aid program than in the fiscal year 1982-87¹ program now coming to an end. Islamabad will only grudgingly reduce its request. Pakistan's main interest is acquiring armor and artillery to maintain rough parity in equipment with the Indian Army along the border. The Pakistanis probably will be willing eventually to cut back Air Force and Navy requests. Other potential suppliers are unlikely to meet Pakistan's desires for sophisticated equipment on acceptable financial terms. Equipment parity with the Indian Army would make a war more costly for New Delhi, but the Indians would still have overall military superiority.

produce ammunition for its modern artillery and to construct a facility in Pakistan to rebuild US tanks,

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The Military's Aid Request

According to US officials, Pakistani military officials were extremely disappointed when they were told during talks last November that they could expect a new military aid package along the lines of the current program. The \$3.5 billion that the military requested for Pakistan's FY 1988-92 program already had been reduced from figures discussed in preliminary talks last April, but it is still more than double the \$1.6 billion in the FY 1982-87 program.

The military and the Finance Ministry apparently had not coordinated their positions before the talks. Finance Minister Mahbubul Haq asked only for a \$2.6 billion military aid program as part of an overall \$6.5 billion economic and military package. Haq told US officials that his request was unpopular with the military. He commented that most officers have little understanding of Pakistan's financial constraints. The Finance Minister said that the new civilian-led government would find it difficult to hold down the military's demands because of the military's continuing role as the arbiter of Pakistani politics.

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Top Priority to the Army

Although Pakistani military officials were unwilling to list their priorities last November, top Army officers told US officials in March 1985 that the Army will receive the bulk of the funds in the next aid program. The Army officers attributed this to an effort to balance the current aid program in which over two-thirds of the funds was earmarked for 40 F-16s for the Air Force.

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_____ military officials hope for an increase of at least \$2 billion in the US military aid package. The officials believe that increased aid is justified because of the continued threat from India and Soviet forces in Afghanistan as well as the effects of inflation.

We believe the Army's first priority is the modernization of its aging tank force. Pakistan has about 750 operational Chinese-built Type-59 tanks, about 200 US-built M-48A5 tanks, and about 150 US-built M-47 tanks, according to US officials.

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The officials also want an increase in US aid to improve their fledgling defense industries. Pakistan's Army would like US funds and technical assistance to

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¹ Pakistan's fiscal year begins on 1 July and ends on 30 June.

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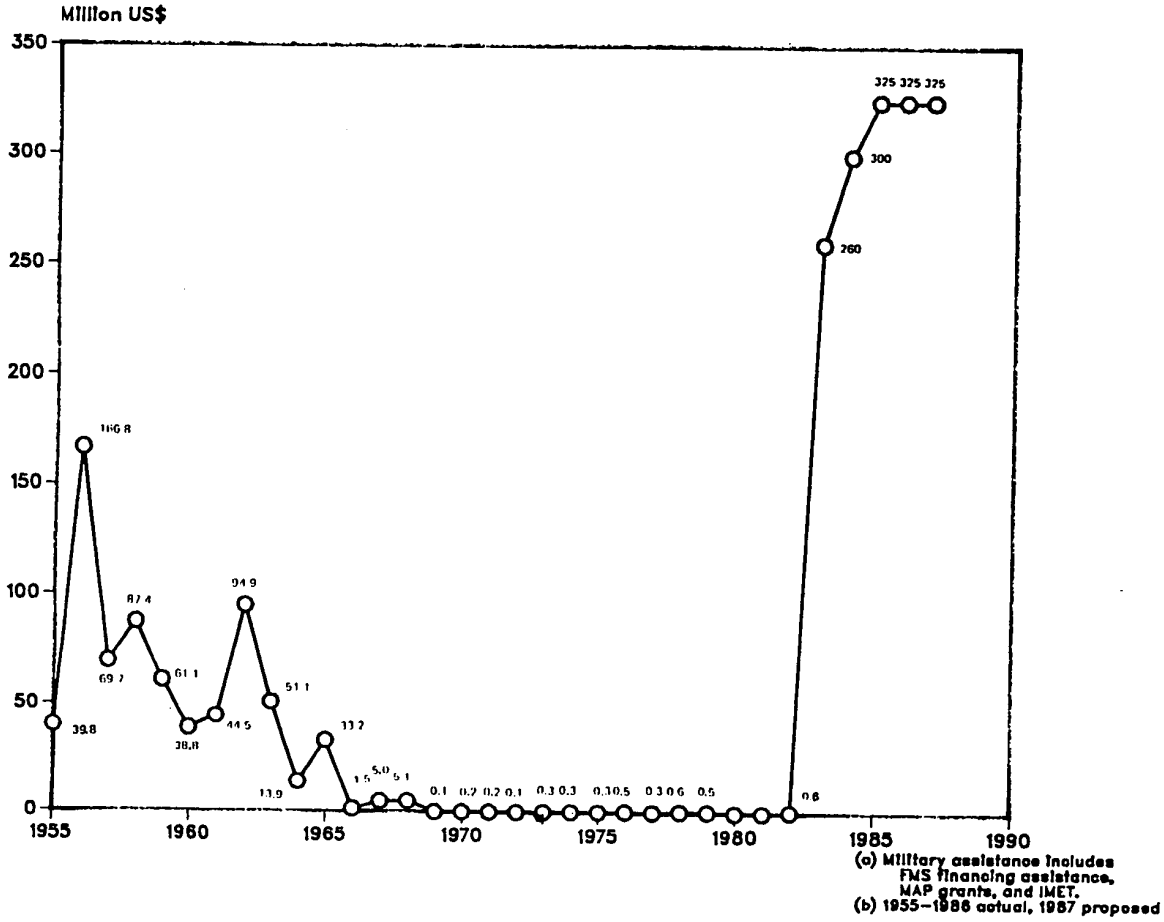
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31 January 1986

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MILITARY ASSISTANCE^a TO PAKISTAN

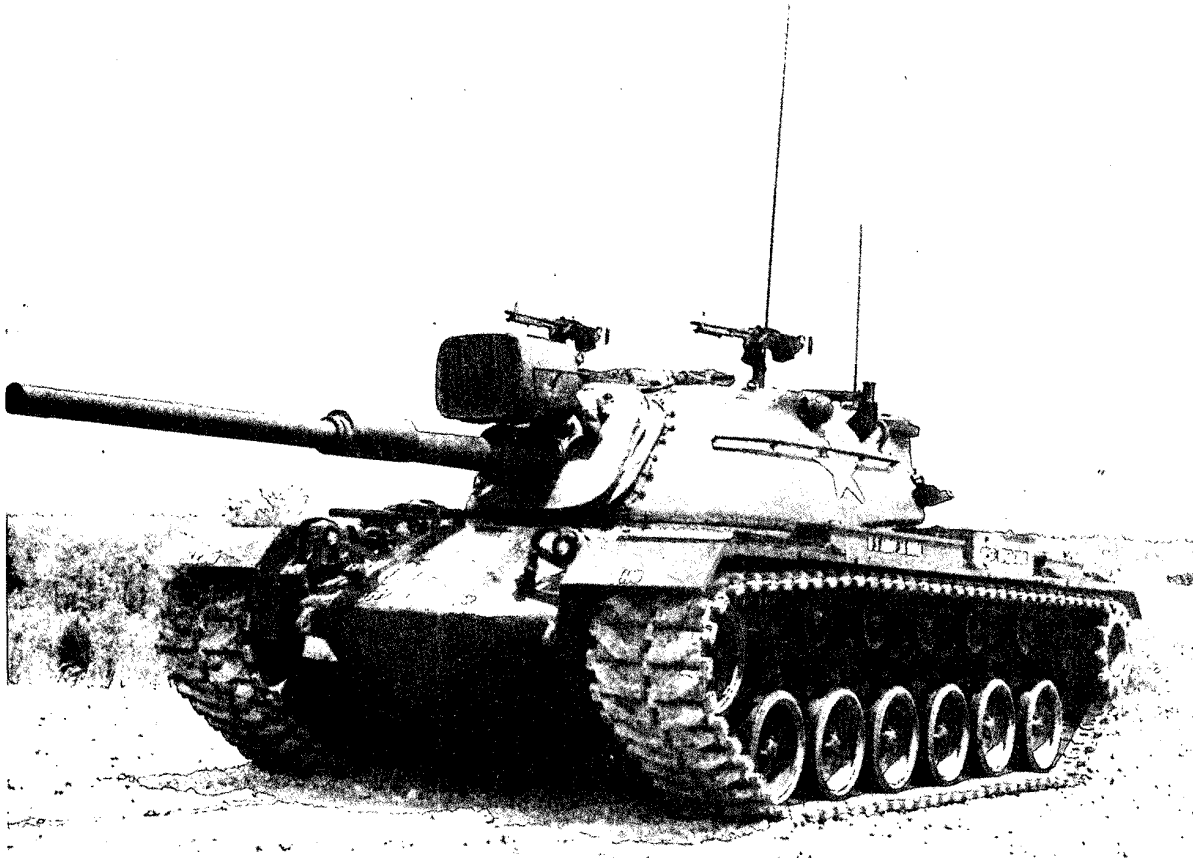
FISCAL YEARS 1955-1987^b



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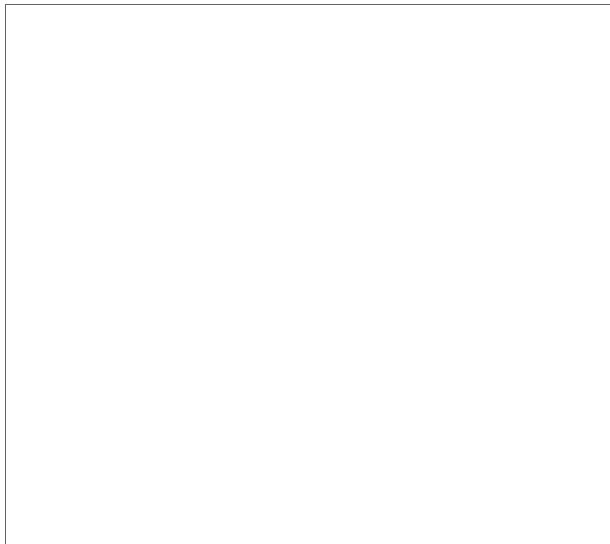
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M-48A5 tank

Jane's ©

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Where Will the Cuts Come?

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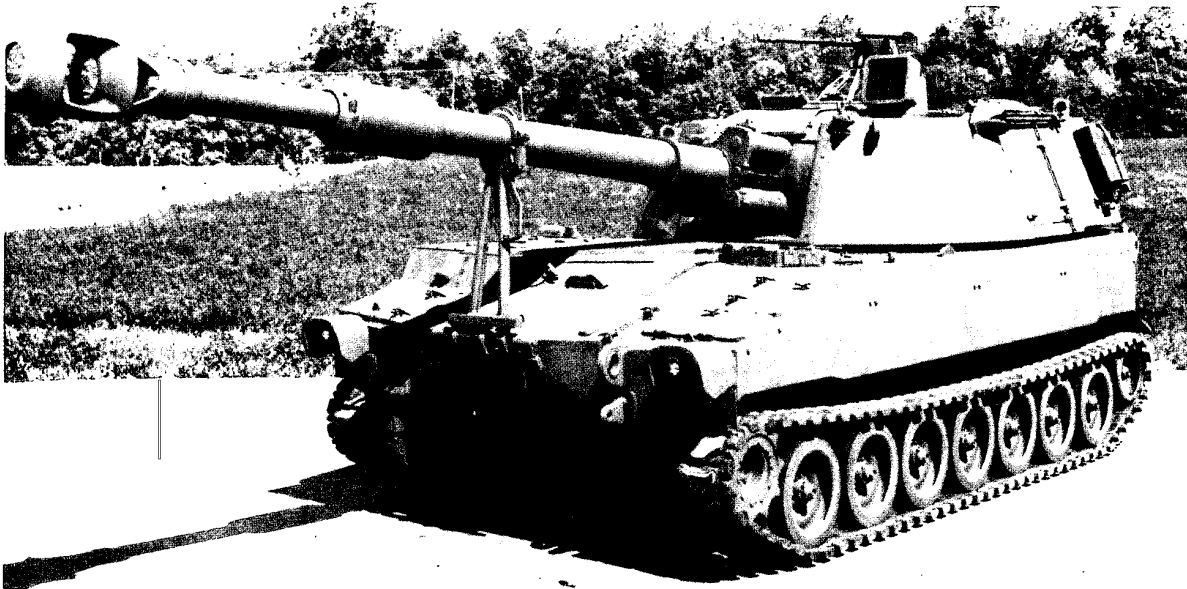
We doubt that Pakistan will significantly reduce its requests for armor and artillery. Pakistani Army officers have told US officials that they need new tanks and artillery to cope with Indian armor concentrations. There may be other considerations. Last year a Pakistani Army officer told a US counterpart that Islamabad wants additional tanks to placate tank personnel to reduce the likelihood of a coup attempt.

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The Army, however, will eventually be forced to drop most of its requests for advanced weapons. US officials have told Islamabad that a number of the systems on the Pakistani list are nonstarters because

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M-109A2 self-propelled howitzer [redacted]

Jane's ©

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of their sensitive technology and because they have not been fully integrated into US forces. [redacted]

[redacted]

[redacted]

F-7s—Beijing's version of the Soviet MIG-21—that it intends to purchase in the near future. Even a limited upgrading program, however, may cost as much as several hundred million dollars. Islamabad may be unable to find a US company to participate in the program because of low profit margins and questions about the technical feasibility of putting a US engine in a Chinese aircraft. [redacted]

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Although Pakistani officials submitted extensive arms requests for the Navy, they will probably reduce their proposed purchases because top military officials consider the Navy to be the least important of the three services. [redacted]

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Islamabad will eventually make additional cuts in aid requests for the Air Force, in our view. Air Force officials told US officials in 1985 that they will probably have to decide between more F-16s or upgrading, with US assistance, the 200 Chinese

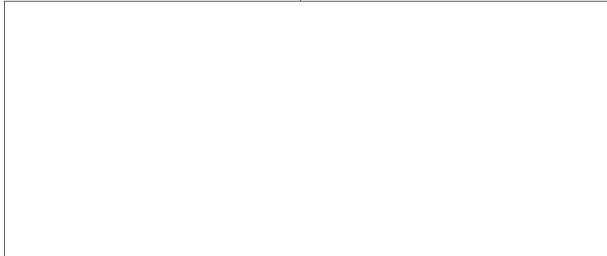
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What If Pakistan Does Not Get the Arms It Wants?

A new US aid program for FY 1988-92 similar to the current program would allow the Pakistani Army to maintain a rough parity in equipment with the Indian Army along the Pakistani-Indian border. Both sides have about an equal number of tanks, mechanized vehicles, and artillery of comparable quality along the border.

Islamabad, however, needs new Army equipment to maintain this balance because the Indian Army is gradually assembling three new Army divisions and upgrading its equipment.



Such an aid program, however, would cause the Pakistani Air Force and Navy to fall further behind their Indian counterparts.

is acquiring Mirage 2000s, Soviet MIG-27s, and perhaps MIG-29s to augment its already substantial inventory of MIG-21s, MIG-23s, and British Jaguars. These advanced aircraft would outperform Pakistan's F-7s that have not been upgraded and would probably allow India to establish clear air superiority.

Without Pakistani naval expansion, the Indian Navy will gradually increase its 2.5-to-1 advantage in warships and naval aircraft.

is close to purchasing a second British aircraft carrier and will soon take delivery of the first of six West German attack submarines, six Soviet Kilo-class submarines, and two Soviet Kashin-class destroyers. Pakistan's limited naval purchases would allow the Indian Navy to improve considerably its antisubmarine capabilities—its highest priority—vis-a-vis Pakistan.

Little Impact on Afghan Border Defenses

Because the Pakistani military considers India to be a greater threat than Soviet or Afghan forces, we do not believe that



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Pakistan would make extensive improvements in its defenses along the Afghan border even if it received most of the requested equipment. Islamabad would not make a major effort to establish a comprehensive radar system or better roads and airfields along the Afghan border. We believe that as long as Soviet and Afghan air violations are limited to the border area and do not approach Peshawar and Quetta—Pakistan's two major western cities—most new military equipment will continue to be deployed primarily against India.

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Outlook

The Pakistani military will probably grudgingly accept a US aid package along the lines of the \$1.6 billion program for FY 1982-87 because it has few alternatives. Other potential sources—China and

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Western Europe—are either unwilling or unable to provide sophisticated equipment at acceptable financing and prices. [redacted]

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[redacted]

[redacted] Islamabad has made only two major purchases from West European countries in recent years—50 to 100 Swedish RBS-70 ground-to-air missiles and less than 30 French Exocets. [redacted] Other negotiations have foundered because Pakistan could not afford the credit terms. [redacted]

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Nonetheless, Pakistani military officials will drag their feet until US officials present what the Pakistanis perceive as the best offer. Even then, the military probably will try to arrogate to itself more than half of any aid program or claim that spending on defense industries, such as a tank rebuilding complex, should be considered economic aid. [redacted]

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**Najibullah:
An Heir Apparent?** [redacted]

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The Soviets appear to be grooming former intelligence chief Najibullah to succeed President Babrak Karmal. Najibullah would bring vigor and decisiveness to the Afghan regime's leadership, but, unless handled carefully, his elevation could mean more headaches for Moscow. Najibullah's further advancement, moreover, would imply that Moscow placed little faith in the prospects for a negotiated solution to the Afghan question. [redacted]

New Opportunities

Najibullah's appointment in November as a secretary of the People's Democratic Party of Afghanistan's Central Committee appears designed to give him a much broader role in the regime and to expand his already considerable power. Diplomatic sources of the US Embassy in Kabul report that he will oversee the Ministries of Defense and Interior as well as the Afghan intelligence service, KHAD—giving him the chance to consolidate control of all of the regime's security forces. [redacted]

In addition, Najibullah's new position should give him broader experience in party affairs and increase his visibility, already considerable for a secret police head. Moscow may see such experience as essential in preparing to assume the top post in the regime. [redacted]

similarity between Najibullah's rise and Yuri Andropov's movement from KGB chief to party secretary to General Secretary. (Babrak is currently party General Secretary as well as President.) [redacted]

The Man From KHAD

Najibullah brings numerous professional, party, and personal assets to his position. As chief of KHAD after the Soviet invasion, Najibullah presided over the growth of the secret police into a powerful and feared organization, which has at times even overshadowed the party. He also built a personal reputation for ruthlessness and relative competence. [redacted]

Najibullah the Man



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An Ahmadzai Pashtun . . . probably born in Kabul . . . graduated Kabul's Habibia High School in 1964 . . . longtime medical student at Kabul University . . . uses title "Doctor," but not known if he graduated . . . known for running spies and informers as a student . . . imprisoned briefly in 1970 for leading demonstrations against visit by US Vice President Agnew . . . briefly in military, civil service . . . briefly Deputy Minister of Interior after April 1978 coup . . . exiled as Ambassador to Iran by Khalqis . . . accused of plotting to kill Khalqi leader Taraki . . . fled to Eastern Europe, joining Babrak and other Parchamis . . . may have received intelligence training there . . . organized KHAD in wake of 1979 Soviet invasion . . . elected full Politburo member June 1981 . . . holds rank of lieutenant general. [redacted]

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[redacted]

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speaks Urdu, some Russian, English, French, German . . . married, at least one child . . . about 38.

[redacted]

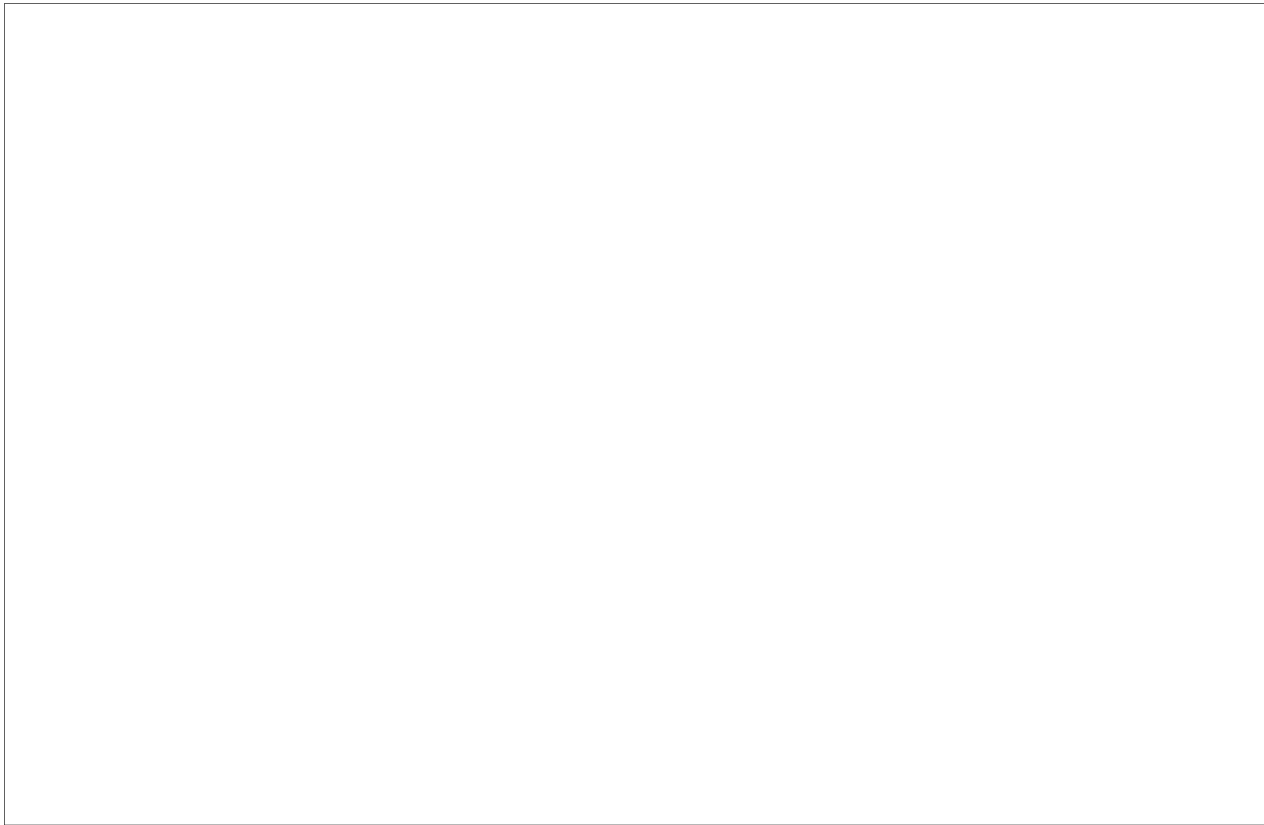
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He moved trusted members of his Parchami wing of the party into key positions and, when necessary, ignored the formal chain of command to bypass members of the rival Khalqi faction. [redacted]

Najibullah adroitly balanced his bid for domestic power with acquiescence to Soviet control of his organization. [redacted] he met daily with KGB advisers and accepted without evident resentment their control of major decisions in KHAD. [redacted] Najibullah has traveled frequently to the USSR for consultations. A fervent Communist, he has impressed those around him as fanatically pro-Soviet in outlook. [redacted]

Najibullah, while no longer formally in charge of KHAD, should have little difficulty maintaining the power base he has built there. His successor, Lt. Gen. Ghulam Faruq Yaqubi, has been a key lieutenant of Najibullah since 1980 as well as his friend and confidant. [redacted] while Yaqubi administers day-to-day operations, Najibullah is involved in all major decisions. [redacted]

Parchamis and Other Strangers

Links to others in the party hierarchy could ease Najibullah's rise to power. As an early party activist—he was a student organizer for Babrak Karmal in the late 1960s—Najibullah has longstanding ties to most high-ranking members of the Parchami faction. His relations with Babrak, while not always smooth, have traditionally been close. [redacted]



Najibullah's links to other Parchami luminaries also go well back in the party's turbulent history. Along with Nur Ahmad Nur, Anahita Ratebzad, Mahmud Baryalai, and Babrak Karmal, Najibullah was sent into ambassadorial exile by the Khalqis in 1978. [redacted]



As the regime's chief emissary to Pashtun tribal leaders, Najibullah has

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also worked closely with Solayman Laeq, the Minister of Nationalities and Tribal Affairs. [redacted]

[redacted]

Najibullah's impressive personality should also assist him in his new position. [redacted]

[redacted]

[redacted] Najibullah is a hard worker who often sleeps in his office at night, [redacted]

[redacted]

[redacted]

Problems Ahead?

Despite his many assets, Najibullah will have to overcome his reputation as violently anti-Khalqi to become the successful, effective leader the Soviets apparently want. [redacted] as of 1983, Najibullah became angry even at the mention of the Khalqi faction and refused to greet Khalqis at Politburo meetings. [redacted]

[redacted]

We believe that a Soviet diplomat's assurance to the US Embassy in Kabul that Najibullah enjoys widespread support among Khalqis contains a large dose of wishful thinking. In his new post, Najibullah is expected to supervise both the Interior Ministry, which Gulabzoi heads and has maintained as a Khalqi stronghold, and the heavily Khalqi armed forces. To invigorate the security forces, Najibullah will have to win at least the acquiescence of many rank-and-file Khalqis—something his past behavior will make difficult. [redacted]

In molding the party into a more effective governing body, Najibullah may also encounter resistance from the party's old guard. The Politburo is hardly a Kremlin-style gerontocracy, but seven of the 12 full and candidate members are a full decade older than

the new secretary and may resent his rapid advancement. Even the mutual loyalty between Najibullah and Babrak may not stand the strains of power. [redacted]

[redacted]

Outlook

The Soviets appear to be grooming Najibullah for Party leadership, probably because they deem him most capable of molding Afghan security forces and the Party into a more effective, cohesive unit. The Soviets probably hope such a new, improved regime would prove capable of shouldering a greater share of what they expect to be a long, grinding struggle—permitting, in effect, an "Afghanization" of the war. [redacted]

[redacted]

Najibullah will probably be given a long period—possibly from six months to two years—to grow into his new Secretariat position, a time during which he will presumably work to bring the Interior and Defense Ministers under his control and improve the overall efficiency and performance of the armed forces. If he succeeds, the Soviets may gradually expand his sphere of authority, possibly making him party General Secretary while retaining Babrak as figurehead President. Finally, if the Soviets believe he is fully prepared, they could allow him to replace Babrak. The further elevation of Yaqubi or other KHAD proteges of Najibullah to high party and government posts would be important indicators of Najibullah's progress. [redacted]

The elevation of the former secret police head, in our view, would reinforce the regime's image as a Soviet-controlled, narrowly based police state. KHAD will almost certainly continue to grow in power as its longtime head advances in the regime. If Najibullah is pushed into the top spot too quickly—perhaps in the event of Babrak's death or his refusal to cooperate in his gradual replacement—we would expect to see more purges of Khalqis, further desertions and disaffection in the military, and a regime that, while perhaps more cohesive and vigorous, would be even more narrowly based than the present one. [redacted]

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In any event, a regime led by Najibullah would almost certainly complicate Afghanistan's relations with Pakistan and might even ensure the collapse of diplomatic efforts to reach a solution to the war. Efforts to destabilize Pakistan can also be expected to continue with Najibullah's rise to power.

[Redacted]

[Redacted]

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Iraq: Prospects for the Next Five-Year Plan

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Economic development in Iraq will remain slow during the 1986-90 Five-Year Plan as long as the war with Iran and the sluggish world oil market continue. Press reports indicate that Baghdad is preparing two versions of its development plan for release this spring. The alternatives depend on when the war ends. Under either plan, we expect Iraq will give priority to production rather than social services—for example, oil pipeline expansion and natural gas development, electrical power generation, agriculture, and expansion of nonoil industry. Should world oil prices fall dramatically or the war intensify, Iraq would reduce its development efforts further to avoid unpopular cuts in consumer imports. Iraq's desire to use advanced technology to accelerate growth will foster expanded economic ties to the United States and other Western countries. The Soviet stake in Iraqi development is likely to remain in oil and electrical power development.

Economic Development Since 1970

Iraq's tightly controlled economic development has been aimed at industrialization and diversification away from oil. Objectives common to the three five-year plans since 1971 have been reducing dependence on oil, developing alternative exports, increasing local manufacture of consumer goods, increasing agricultural production, and improving infrastructure and social services.

Despite its stated goals, Iraq failed during the two five-year plans in the 1970s to reduce its dependence on oil or to significantly diversify the economy. In 1980 oil accounted for 99 percent of merchandise exports, up from 94 percent in 1971. Despite heavy industry growth—iron, steel, petrochemicals, and aluminum—the rise of oil prices and oil industry development caused manufacturing as a share of GDP to decrease from 14 percent in 1970 to 6 percent in 1980. Similarly, despite development allocations of close to \$9 billion, agriculture's share of GDP fell from about 17 percent in 1970 to 7 percent in 1980.

Table 1
Iraq: Composition of GDP

Percent

	1970	1980	1983
Agriculture	17.3	7.0	5.0
Manufacturing	14.2	6.0	22.2
Mining (including petroleum)	30.9	67.0	54.9
Services	37.6	20.0	17.9

Iraq's ambitious economic development plan for 1981-85, based on the runup in oil prices in the late 1970s, was slowed by the war with Iran. With foreign exchange reserves of nearly \$35 billion at the start of the plan, Iraq decided to plunge ahead with new industrial and infrastructure projects despite the war. As the war continued, however, and as annual oil revenues slumped from \$25 billion in 1980 to \$9.5 billion in 1982, the government switched to tightly controlled spending. The five-year plan was shifted to a year-by-year basis, projects under construction were slowed, and many planned projects were canceled or postponed. Partly as a result, imports fell from \$22 billion in 1982 to \$11 billion in 1983. Since 1983, more careful budgeting, continued large inflows of aid from Arab allies, and foreign debt reschedulings have enabled Iraq to continue this slower pace of economic development. Priorities during the past two years include:

- War-related military projects such as ammunition and small-arms plants.
- Foreign-exchange-earning projects such as the Saudi-Iraqi oil pipeline.
- Projects financed by supplier credits such as the Baiji fertilizer plant.

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Iraqi Military Production

Iraqi military production consists mostly of small-arms and ammunition plants, while larger military equipment and aircraft are imported, primarily from the Soviet Union and France. Although Baghdad started an ambitious military industries program in the late 1970s, most projects have been delayed since the beginning of the war because of financial difficulties. Over the longer term, Baghdad hopes to develop a comprehensive arms industry to reduce its dependence on foreign suppliers. Iraqi efforts, however, will be hindered not only by foreign exchange shortages but also by a shortage of skilled workers. []

Development During the 1986-90 Economic Plan

Press and Embassy reporting indicate the Iraqi Government is acutely aware that the course of economic development during the next five years will depend on the war with Iran. The new plan has not been released, but press reports suggest that the government has prepared two development plans. One assumes that the war will continue indefinitely, while the other assumes it will end within two years, after which development can be accelerated. We suspect that neither plan takes into account the possibility of an increase in the level of fighting nor a large fall in world oil prices. Press and Embassy reports indicate that the priorities in both plans are:

- Further development of oil and gas reserves, with special emphasis on pipeline expansion and greater domestic use of natural gas.
- Expansion of power generation and distribution.
- Increasing agricultural output and productivity, particularly of grain, poultry, and dairy products.
- Further development of Iraq's industrial base, particularly in food processing, textiles, and building materials. []

Oil Industry Development—Top Priority

Petroleum remains Iraq's lifeblood despite the stated objective of successive development plans to diversify the country's economic base. Petroleum accounts for 85 percent of government revenues, and this preeminent role assures its priority during the next

five years. According to the US Embassy in Baghdad, the plan will call for 60 new petroleum projects. []

Top priority will go to pipeline expansions through Turkey and Saudi Arabia. The second phase of the Iraq-Turkey pipeline will consist of a 500,000-b/d crude oil pipeline parallel to the existing 1-million-b/d line. The 640-km pipeline is expected to be completed sometime in 1987 at an estimated cost of \$500 million. Phase two of the Saudi-Iraqi pipeline—estimated to cost \$1.5 billion—will consist of a 750-km pipeline from pumping station three on the Saudi Petroline to Yanbu, as many as 12 new pumping stations, and a separate Iraqi offshore loading terminal at Yanbu on the Red Sea. The project would raise Iraq's capability to export oil through Saudi Arabia from 500,000 b/d to 1.6 million b/d. []

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Greater utilization of natural gas—85 percent is now flared—is both an energy and industrialization goal. New electrical generating plants will be gas fired, and Baghdad plans to develop a domestic distribution system to provide gas to industrial users. The first major natural gas project scheduled is a gas gathering and distribution system. Preliminary design work has been prepared by Soviet engineers, and the project is scheduled to take two years to build. []

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**Power Generation and Distribution—
Fulfilling Previous Goals**

During the 1986-90 plan, Iraq will continue the massive power generation expansion program that was begun in 1981 but was delayed by the war and financial problems. The program includes several thermal power stations, further development of hydroelectric power, and expansion of Iraq's transmission system. The centerpiece of the program is the construction of several 1,200-MW thermal power stations. Increased generating capacity during the last five-year plan barely kept pace with demand. In addition, smaller stations are scheduled to be built, including one near the Turkish border to export power. Although Iraq is seeking bids to provide generating facilities at the proposed \$1 billion Bekme Dam, we suspect construction of this costly project will be delayed until the war ends. []

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Agriculture: Aiming To Reduce Imports

Iraq's agricultural goal is to reduce food imports. In 1984, Iraq's food import bill totaled \$3.1 billion, about 25 percent of imports. The government is pushing for output increases in grain—primarily wheat, barley, and rice—as well as poultry, eggs, and dairy products. Iraq will continue work on the 22,000-hectare Dujaila agroindustrial complex, where capital-intensive agricultural techniques are being developed. Originally envisaged to provide nearly a quarter of the country's crop and animal products output, shortfalls have been blamed on the war and financial difficulties. Other projects are likely to include land reclamation, alleviating soil salinity problems, and dam building to provide water for irrigation. [redacted]

To increase agricultural productivity, we believe Iraq will offer increased incentives for the private sector. According to press reports, marketing rules already have been changed to allow farmers to bypass the State Organization for Agricultural Marketing and sell selected crops and products directly to public wholesale markets or licensed private wholesale shops. This new system has eased supply bottlenecks and is likely to encourage local farmers to produce more. Low-interest loans by Iraq's Agricultural Cooperative Bank have been successfully used to increase private production of poultry—nearly 85 percent of Iraqi poultry meat is produced by the private sector. Baghdad probably will use similar policies to increase private production of livestock, eggs, and dairy products. [redacted]

Industrial Development—Import Substitution

Industrial projects that minimize foreign exchange expenditures will have priority in the 1986-90 development plan because of Iraq's tight foreign exchange situation. The Iraqis appear particularly interested in industries that use locally available raw materials, such as food processing, textiles, and construction materials. Mixed-sector companies will continue to play a role in industrial development. Baghdad hopes to channel private capital into light industry by increasing their participation. Heavy industry development, such as fertilizer and cement plants, is likely to remain under government control,

Table 2**Iraq: Leading Sources of Nonmilitary Imports, 1984**

	<i>Million US \$</i>
Turkey ^a	934
West Germany	861
Japan	806
France	685
United States ^b	664
Italy	600
United Kingdom	459
Soviet Union	318

^a Primarily foodstuffs.^b Primarily agricultural goods.

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[redacted]

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however, because of Ba'th Party philosophy and the need for large expenditures that exceed private resources. [redacted]

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Prospects

We see no likelihood that Iraqi economic development can accelerate in the early years of the next five-year plan because of the war with Iran and weak oil prices. If the intensity of the war with Iran persists and world oil prices fall only slightly, Iraq is likely to pursue a reduced development program, giving priority to projects that receive supplier credits or have an immediate foreign exchange payoff, such as oil export pipelines. If the level of fighting increases or world oil prices fall dramatically, Iraq will probably cancel or delay most development projects to minimize cuts in consumer goods imports that could lead to domestic unrest. [redacted]

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If the Saudi and Turkish oil pipelines are completed as scheduled in the next two to three years, this will add about 1.5 million b/d to Iraq's oil export capacity. Barring a large decline in oil prices that could offset

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Iraq Seeks Improved Technology

According to the US Embassy in Baghdad, raising the level of scientific knowledge and technology in Iraq is a major goal of the new five-year plan. These efforts will be coordinated under the Scientific Research Council (SRC), created in 1980 to establish a scientific and technical base for industry, agriculture, and engineering. The SRC oversees eight research centers involved in petroleum, electronics and computers, agriculture and water resources, construction, biology, solar energy, space and astronomy, and scientific documents. [redacted]

Iraqi-Soviet economic cooperation probably will grow slower than Iraqi-US ties during the 1986-90 plan. This will stem in part from Iraqi dissatisfaction with Soviet civilian technology. Nonetheless, the Soviet Union will continue to be involved in Iraqi power generation and oil development. According to press reports, recent economic agreements with the USSR involve projects worth nearly \$1 billion in the coming years. The Soviets also are likely to remain Iraq's principal arms supplier. [redacted]

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[redacted]

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According to the US Embassy in Baghdad, Iraq in particular will be seeking to expand the use of computers and related equipment. The government is focusing on applications such as bar-code retail systems, computer-aided design and manufacturing systems, robotics, computerized process controls for assembly plants, and computer-controlled production systems for the Dujaila agroindustrial complex in southeastern Iraq. [redacted]

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these increased exports, the additional revenues late in the 1980s could enable Iraq to boost development expenditures and increase the pace of economic development in the 1990s. [redacted]

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Implications for the United States

Iraqi-US economic relations will continue to expand during Iraq's five-year plan. According to press reports, Baghdad is seeking to increase ties to US firms to obtain US technology and has encouraged several US firms to bid on planned development projects. Iraq is particularly interested in acquiring US computers, communications systems, medical equipment, and oilfield equipment. According to the US Embassy in Baghdad, Iraq believes closer economic ties will strengthen relations with the United States and help offset differences on political issues such as US support for Israel. [redacted]

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**Iraq's Involvement
in International Terrorism
in 1985** [redacted]

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Iraq limited its involvement in international terrorism in 1985. Iraqi-sponsored terrorist activity last year was targeted almost exclusively against Syria and Libya to increase the cost to those states of their support of Iran, dissident Iraqi Shias, and Kurdish rebels. The evidence indicates that Iraq supported pro-Arafat Palestinian attacks against Syria and assisted Libyan dissidents. Although there have been glimmers of a possible reconciliation between Baghdad and the two radical Arab states, we believe that Iraq is pessimistic about the chances for a rapprochement and will continue to encourage surrogate groups to target Syrian and Libyan interests. [redacted]

[redacted]

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- Iraqi and PLO officials last summer discussed joint operations against Syrian and Libyan Embassies and other facilities abroad, [redacted] [redacted] 25X1
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- [redacted] the PLO's Central Security apparatus opened three offices in Baghdad and the leader of the apparatus was planning attacks against Syria in coordination with Iraqi officials. The operations were to be staged from Iraq. 25X1

Baghdad may also support attacks by the Palestine Liberation Organization (PLO) against Israel in the coming months. Iraq significantly increased its support of Yasir Arafat in 1985 to counterbalance growing Syrian dominance of the Palestinian movement. Toward the end of the year, Baghdad allowed several hundred additional PLO fighters to move to Iraq, but it probably is not eager to allow the establishment of PLO political or military headquarters on its territory. We believe Arafat will continue to sanction operations inside Israel and the West Bank. Baghdad may be drawn into providing at least indirect support for these attacks. To protect its relations with the United States, we believe Iraq will limit its involvement in PLO operations against Israel and probably will not countenance attacks outside Israeli territory. Moreover, Baghdad almost certainly will continue to withhold support from radical, non-PLO Palestinian terrorist groups. [redacted]

- According to Libyan and Iraqi press reports, Baghdad increased its support of Libyan dissidents after Baghdad broke relations with Tripoli last June. Baghdad also allowed Libyan dissidents to broadcast anti-Qadhafi radio programs from Iraq. [redacted] 25X1

Other Iraqi-backed terrorist activity last year included:

[redacted]

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- The arrests in August of four Iraqi nationals in the United Kingdom for attempting to bomb a consignment of war materiel destined for Iran, according to defense attache and press reports. 25X1

Recent Activity

In 1985, Iraqi-backed terrorism focused almost exclusively on Syrian and Libyan targets:

[redacted]

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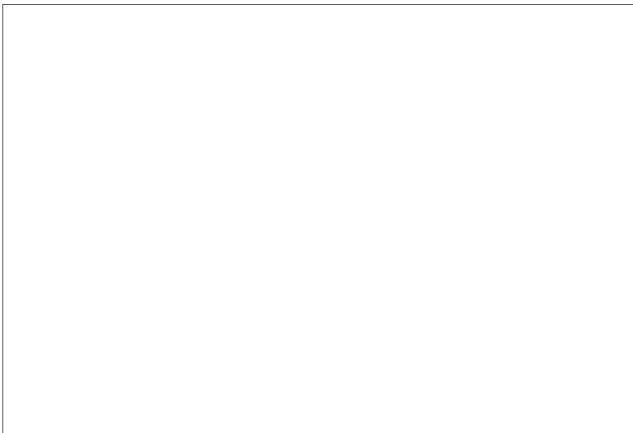
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- The granting of asylum in late October, despite protests from the United States, to Palestine Liberation Front leader Muhammad al-Zaydan (Abu Abbas), the mastermind of the Achille Lauro hijacking. Iraq rejected US requests to extradite Abu Abbas to the United States. [redacted]

Efforts To Stymie Radical Palestinian Groups

In the face of continued pressure from the United States and moderate Arab states, Baghdad continued in 1985 to prevent radical, non-PLO Palestinian terrorist groups from operating out of Iraq:

- Iraq withheld support from the 15 May Organization and inhibited the group's operations. Two terrorists carrying explosives-laden suitcases, however, were arrested in Rome in October after arriving from Baghdad. The two claimed they intended to attack US targets in Italy. Although many details of this incident are unclear, we believe the terrorists were members of 15 May. We do not believe that the Iraqi leadership was aware of the operation. It is possible that Iraqi security officials facilitated the operation—without the approval of their superiors—by allowing the terrorists to take the explosives aboard the aircraft.



Future Trends

In our judgment, Iraq will continue to use terrorism primarily to undermine and isolate its Arab enemies, Syria and Libya. Baghdad is eager to end Syrian and Libyan military support for Tehran and for Kurdish and Shia dissidents in Iraq. To this end, Iraq will simultaneously seek reconciliation with the radical

Arab states, according to the US Embassy in Baghdad. Press reports indicate Iraqi officials met with a Syrian delegation last October and a Libyan delegation in November. Nonetheless, in our judgment, Baghdad is pessimistic about the chances for rapprochement with Damascus and Tripoli and will continue to encourage surrogate groups—Libyan dissidents, the PLO, and possibly the Muslim Brotherhood—to attack Syrian and Libyan targets. [redacted]

Iraq may also reluctantly support PLO attacks against Israel in the near future. The Iraqis strongly oppose Israel, but they recognize that their support of terrorism against Israel will damage their relations with the United States, whose technology and support for an arms embargo against Iran is greatly valued by Baghdad. Nonetheless, Baghdad believes increased support of pro-Arafat Palestinian factions is necessary to counter Syria's efforts to dominate the Palestinian movement. We believe PLO terrorists will continue to mount operations against Israeli targets, and Iraq may be drawn into providing at least indirect support for these attacks to bolster Arafat. [redacted]

Some 2,000 PLO fighters now live and train in Iraq, and, according to the US Embassy in Baghdad, Arafat has been transferring additional units to Iraq from North Yemen, Sudan, and Tunisia. In addition, the US Embassy in Amman reported that, in mid-October, the Jordanian Government asked some 35 members of Fatah's Western Sector apparatus to leave Jordan; these operatives planned to move to Baghdad. The Western Sector has been responsible for planning and executing the bulk of Fatah's attacks in Israel and the occupied territories. [redacted]

[redacted] Arafat told the leaders of Kuwait and North Yemen that he planned to move PLO headquarters to Baghdad from Tunisia, although Iraqi officials told US diplomats in late October that the PLO had not yet made such a request. [redacted]

Fatah operatives almost certainly will try to plan and stage attacks in Israel and the occupied territories from Iraq. Baghdad, however, will try to prevent the

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PLO from using Iraqi territory as a staging area for such operations to limit the damage to its relations with the United States and reduce the risk of Israeli retaliation. Baghdad is also likely to discourage PLO attacks conducted against Israeli targets outside Israeli territory. The Iraqis are sympathetic to the Palestinian cause, and Baghdad probably will directly support such operations only if the position of Arafat's moderate faction would otherwise erode. Moreover, Iraq will continue to withhold support from radical non-PLO groups like the 15 May Organization and the PFLP-SC.

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Libya: Qadhafi's Objectives and Tactics in Chad [redacted]

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Libyan leader Qadhafi's current crisis with Washington probably will delay, but not deter, his pursuit of a more aggressive military posture in Chad. The level, pace, and timing of Libyan military activities will be determined by Qadhafi's assessment of possible French and US reactions and other foreign policy priorities. Competing demands for decisions relating to Libya's support for subversion in other regions have often forced Qadhafi to put Chad on the back burner for lengthy periods. In any case, Qadhafi is not likely to do anything to increase military activity until he is reasonably confident that the current confrontation with Washington is behind him. [redacted]

Military Developments

Libyan efforts to rebuild its eroding military position in Chad began in mid-1985 when Qadhafi began reassessing his military options. He soon appointed Col. Abd al-Hafiz Mas'ud, one of his chief military advisers, as Libyan commander in Chad. Mas'ud immediately initiated a program designed to repair Libyan relations with Chadian dissident groups, which had been strained by Tripoli's reluctance to provide them with food, fuel, vehicles, and ammunition. He also began strengthening Libya's forces in the north, which had been plagued by poor morale and logistic and maintenance difficulties. [redacted]

Mas'ud was replaced last October by Col. Ali Sharif—the most experienced of Libya's Chad commanders. Sharif's arrival, in our view, signaled initial preparations for renewed Libyan-supported military action. [redacted]

[redacted] construction was completed at Ouadi Doum airfield, providing Tripoli with an initial capability to send fighter aircraft deep into southern Chad, including N'Djamena. Ouadi Doum also is serving as Libya's main logistic base in

Chad, handling several transport aircraft daily.

[redacted] fresh equipment, including armored vehicles and air defense missiles, has been moved into northern Chad as recently as this month. [redacted]

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Libyan Political Objectives

Qadhafi almost certainly regards a pro-Libyan government in N'Djamena as a key to destabilizing other moderate governments in Sub-Saharan Africa.

[redacted] Libya is working to create a network for subversion in northern Nigeria, Cameroon, the Central African Republic, and Niger. In addition, Qadhafi probably believes a pro-Libyan government in N'Djamena would ensure Libyan access to the uranium resources of northern Chad. Foreign survey teams are continuing to survey uranium resources in this region. [redacted]

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Heightened discontent inside Libya probably has increased Qadhafi's concern that the United States, France, or Algeria may try to use northern Chad as a base for stirring up unrest among tribesmen in the Libyan province bordering Chad—an area traditionally resistant to government control. Qadhafi apparently expressed concern over the possibility of increased US involvement in Chad during his talks with French President Mitterrand in Crete in September 1984, according to press sources. Public statements by Libyan Foreign Secretary Turayki at about the same time indicated that Libya's renegeing on its troop withdrawal agreement with France was motivated in part by its perception that a Libyan withdrawal would open the door to Habre's recapture of northern Chad—an event Turayki implied would pose a security threat to southern Libya. [redacted]

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[redacted] Qadhafi's ambitions in Chad are conditioned by his determination to break what he regards as Libya's "encirclement" by pro-US regimes. [redacted]

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Qadhafi's satisfaction with the status of Libyan influence in increasingly nonaligned Sudan has prompted his heightened interest in subverting N'Djamena. [redacted]

[redacted]

[redacted] Qadhafi in part probably is trying to undercut arguments by nationalist Libyan officers that Qadhafi's ambitions in Chad are unrelated to Libyan interests. On the other hand, Qadhafi's public statements over the past year repeatedly emphasize his belief—probably stemming from his Bedouin upbringing—that control over water resources is the key to domination in various regions. [redacted]

When Will Qadhafi Strike?

Early Libyan military action is not certain, despite the continued strengthening of forces in Chad. In our view, a more aggressive Libyan military posture will only be initiated when Qadhafi becomes personally engaged because he recognizes that any miscalculation might prompt French military retaliation. Competing demands for decisions involving Libyan support for terrorism and subversion in other regions, as well as Qadhafi's sense of political opportunities or threats from foreign and domestic enemies, might distract him for a lengthy period as it has in the past. [redacted]

[redacted]

In our view, Qadhafi would speed up his timetable for military action if he decided that Mitterrand's preoccupation with French legislative elections next March minimized the chances of a French military response. The Libyan leader probably would consider moving sooner if there were clear indications that French conservatives—perhaps more inclined to challenge Libya—were strengthening their prospects for gaining power in Paris. [redacted]

Likely Course of Fighting

When Qadhafi gives the go-ahead, we believe that military action will initially result in probing attacks by mixed groups of Chadian rebels and Libyans

against Chadian Government positions. Such incursions would be similar to last December's probe at Koro Toro, which resulted in a brief skirmish with government forces. Such attacks would be designed to keep Habre off balance and stretch N'Djamena's already limited forces. In our view, they also would be intended to achieve quick, morale-raising victories and help Qadhafi assess the effectiveness of his own forces in Chad. [redacted]

These limited encounters involving Libyan-backed rebels provide Qadhafi with a barometer to measure French intentions. He began testing French reactions by ordering overflights of Chadian Government positions and briefly deploying SU-22 fighter aircraft to Ouadi Doum airfield last October. Paris responded with a temporary augmentation of troops and aircraft in the neighboring Central African Republic. Qadhafi probably has drawn comfort from recent statements by Mitterrand that France has no defense agreement with Chad and is not the "policeman" of Africa. [redacted]

A failure by Paris to immediately and decisively signal its resolve probably would prompt additional attacks, which could escalate in scope and intensity. We believe that France would have to return forces to Chad or conduct a limited airstrike on Libyans and Chadian rebels to deter Qadhafi from continuing to increase military pressure on Habre. [redacted]

In the absence of French military intervention or a strong response by Habre's forces, Tripoli might become more open in its involvement in rebel attacks south of the 16th parallel. We anticipate initially the use of Libyan SF-260 light strike aircraft and as many as two battalions of armor or artillery. The taking of isolated Chadian Government positions or seizure of territory might temporarily satisfy Qadhafi if he perceives that Habre's political position had been weakened enough to stimulate coup plotting against him. We believe that Qadhafi might also consider moves such as relocating the rebel "capital" from Bardai in the Aouzou Strip to a captured Chadian stronghold to underscore Habre's defeat. [redacted]

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A decision by Qadhafi to adopt a more aggressive posture—including a march on N'Djamena—would depend on his assessment of the French reaction. Qadhafi almost certainly recognizes that the vulnerability of Libyan forces to French attack would make such an offensive extremely risky. At the same time, he would have to weigh the impact of French military action and even a limited defeat of his forces on his already deteriorating domestic position. [redacted]

would seriously undercut Habre's authority and international prestige and possibly prompt coup plotting in N'Djamena. [redacted]

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If Qadhafi becomes convinced that the French will not intervene, we believe the Libyan force in Chad will signal its intentions before it undertakes such an invasion. The force does not yet have the strength it achieved during the final stages of its invasion in 1983, when the deployment of French troops to Chad prompted a cease-fire. On the basis of the preparations for the 1983 invasion, we believe that Qadhafi is unlikely to launch a major offensive without strengthening Libyan air defenses and deploying fighter aircraft to northern Chad. He also probably will augment Libya's approximately 20 tank transporters in Chad with about 80 more. Warning time for such an offensive would be significantly reduced if Tripoli used deception methods similar to those employed when it hid its forces from the French in fall 1984. [redacted]

In the event of a French attack on Libyan and rebel positions, we believe Qadhafi will focus his diplomacy on obtaining international condemnation of Paris and regional acquiescence in a "peacekeeping" force comprised mainly of Libyans. Such maneuvering would be intended to legitimize the continued presence of Libyan forces north of the 16th parallel while making it difficult for Paris to justify additional attacks. He might also retaliate by targeting French personnel and facilities for terrorist attacks. [redacted]

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Political Maneuvering Likely

Qadhafi at each stage of military activity will review his diplomatic options. The strengthening of Libyan forces in northern Chad has been accompanied by political posturing. For example, Qadhafi's visits to Senegal and Mali in late November and early December were accompanied by public [redacted] hints that he was receptive to a negotiated settlement with Habre, [redacted]

Implications for the United States

Qadhafi will be watching for indications of US willingness to step in for the French in Chad if Libya and the rebels defeat government forces. A US refusal to intervene, in our judgment, would encourage Qadhafi's aggressiveness by convincing him that Washington is unwilling to counter Libyan expansionism directly. A more assertive reaction from Washington probably would prompt Qadhafi to slow down his timetable for subversion in Chad. Qadhafi will not abandon his attempts to install a pro-Libyan government in N'Djamena, however, anticipating that Washington and Paris will decide at some point that the price of supporting Habre is unacceptably high. [redacted]

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In our view, Qadhafi will periodically play his diplomatic cards to try to exploit any reluctance by Mitterrand to confront Libya militarily in Chad. We believe Qadhafi hopes the French can be persuaded to reduce their support for Habre in exchange for an agreement by Tripoli to at least temporarily forgo additional military action. In our judgment, Qadhafi views backtracking by Paris on its support for Chad

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Libya: Impact of Economic Sanctions on the Civil Air Fleet [redacted]

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US economic sanctions against Libya have had some impact on the operation of Tripoli's civil air fleet. Although the financial cost to Libya of the US embargo is not known, the sanctions have reduced Libya's access to new aircraft and limited the purchase of required spare parts and maintenance. The sanctions have forced Qadhafi to conduct a worldwide search for small amounts of essential replacement parts and maintenance—with checkered results. [redacted]

- In May 1985, Tripoli obtained two new L-100 transports with the assistance of a West German firm. [redacted]

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The US embargo of Libya in March 1982 limits Libya's access to spare parts for its fleet of Boeing 707, 727, and Lockheed C-130/L-100 aircraft. The embargo prohibits Libyan purchase of new US aircraft or of foreign aircraft with substantial US content. The sanctions halted the delivery of eight Lockheed C-130 transport aircraft from the United States and 10 European-made Airbus aircraft with substantial US content. The embargo also stopped the direct sale to Libya of essential aircraft maintenance parts—notably engines and electronics. [redacted]

The C-130/L-100 Hercules has long been the Libyans' favorite transport aircraft, and Tripoli has gone to great lengths to try to circumvent US export controls to obtain them. Until last May's delivery, however, Qadhafi had succeeded in bringing in only one aircraft. [redacted]

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Successful Purchases of Aircraft

Nevertheless, Libya has managed to acquire three new Netherlands-made aircraft, two Lockheed L-100 transports, and several used US-manufactured jets:

Even with air-refueling equipment, Libyan crews would need considerable training to perform the precision flying required for in-flight refueling. Libya may be using the additional spare parts that came with the two new L-100s to put back into operation some of the 11 C-130s and L-100s it already owns. [redacted]

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- In 1983, Libya purchased three used Boeing 707s from a Luxembourg firm that had obtained the aircraft from Air France. The sale was limited to three aircraft because of US diplomatic pressure on both France and Luxembourg.
- In 1984, the Libyans contracted for eight Dutch Fokker F-28 passenger aircraft. The contract was canceled after intensive US consultations with Fokker and the Dutch Government. Three aircraft had been delivered. The US content of F-28s is less than 20 percent.

[redacted]

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Aircraft Leases

Although the 1982 US sanctions require permission for leasing US-manufactured aircraft to Libya, Tripoli has leased US-made aircraft from at least two

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countries. Leasing allows Libya to augment its civil fleet and to free Libyan-owned aircraft from commercial tasks for more sensitive work:

- In 1983, Libyan Arab Airlines leased a Boeing 707 from Romania's Tarom Airlines. The aircraft was hijacked to Malta in June 1983, exposing the lease. US diplomatic contacts with Romania resulted in the lease being canceled.

- Icelandic Eagle Air has periodically leased Boeing 707s to Libya. Although a lease signed in 1981 was allowed to lapse shortly after the sanctions took effect in 1982, one Icelandic 707 has been leased to Libya since 1984 [redacted]

- Since 1983, Libya has been leasing a Boeing 707 from West Coast Airlines of Ghana. West Coast Airlines was incorporated in 1980 as a charter company and acquired two 707s from Luxembourg firms. We believe that Libya or Libyan nationals may have financial interests in this airline. [redacted]

Aircraft Maintenance

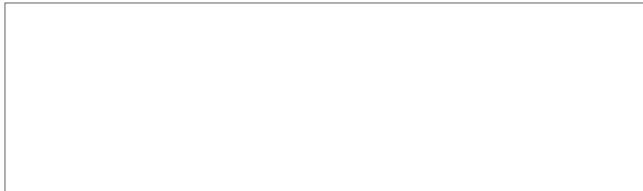
The 1982 embargo has severely hindered Libyan aircraft maintenance efforts. [redacted]

[redacted] We believe only about six of Libya's 17 Boeing 707s are in good repair. Ten Boeing 727s used by Libyan Arab Airlines for regular commercial service to Europe, however, continue to be maintained in France and Belgium, and Libyan 707s have been repaired in Turkey and Yugoslavia:

- An Italian firm canceled its C-130 maintenance contract with Libya after US diplomatic contacts in 1983.

- [redacted] [redacted] Libyan Boeing 727s continue to receive regular maintenance from Air France at Orly Airport in Paris and that major overhauls are performed at Toulouse Airport—also by Air France.

- According to press reports, a Libyan Boeing 707 cargo aircraft was repaired in mid-1984 in Istanbul by THY Turkish Airlines.

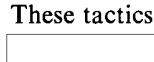


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The Financial Cost of Sanctions to Tripoli

The financial cost to Libya of the US embargo is not known. Because they do not have access to new aircraft maintenance parts and service when needed, the Libyans must purchase several used aircraft for every one actually made operational. In addition, Libya has actively searched for reliable sources of parts worldwide with modest results. In some cases—Argentina being the most recent—Qadhafi has felt obliged to offer sweeteners, such as offers to buy other arms, in deals involving evasion of the US embargo. These tactics increase the cost of any goods received.

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[redacted] Libyan Arab Airlines has a difficult maintenance situation with its 707s, largely as a result of the US embargo. The airline often resorts to tricks to obtain spare parts. On occasion a defective part is deliberately put into a plane before a flight so that, upon landing at an international airport, the pilot can request and obtain emergency help from the local airfield. This practice probably increases the cost of individual parts substantially. In addition, the safety of the aircraft is placed in jeopardy for the portion of its flight from Libya to the proposed servicing point. [redacted]

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**Tunisia:
Politization
of the Military** [redacted]

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[redacted] an increasing concern among Tunisian soldiers about political issues and interest in becoming involved in domestic politics.

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[redacted] growing morale problems in the military because of financial stringencies, high-level personnel changes, and foreign and domestic political developments. These concerns reflect in part a broader public disenchantment with the government and malaise stemming from economic decline and festering social problems. Recent coup rumors probably exaggerate the willingness of officers to intervene at this time. Nevertheless, the continuing economic and political deterioration in Tunisia will breed further discontent within the ranks. Even though the Tunisian military has a heritage as an apolitical institution, officers would be emboldened to take power in the event of a loss of legitimacy by the current government or its successor. The events most likely to provoke intervention include government inability to control widespread public disorder or paralysis of the regime before or after President Bourguiba's demise. [redacted]

its larger and militarily more powerful neighbors, Libya and Algeria. Tunisia also has enjoyed fairly close military ties to France and the United States because of the country's pro-Western orientation. [redacted]

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Governments in Tunis consequently have not devoted significant financial resources to the military. The country's inventory of weapons is modest, especially in comparison to its neighbors. Government financial parsimony toward the military also has stunted the growth of a professional and highly skilled officer corps. [redacted]

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Into the Fray

Since the late 1970s, the Tunisian military has become more visible in the government of the country. The impetus for involvement has come from the government rather than from the officer corps. Demonstrations and violence in 1978 as a result of the faltering economy and differences between government and labor compelled Bourguiba to call on his security organs to restore order. More widespread and serious disturbances in early 1984, sparked by a rise in bread prices, were not quashed until the government called in combat units. [redacted]

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Background—The Straight and Narrow

Tunisia is unusual in the Arab world because its soldiers have not played a significant political role either before or after the country became independent in 1957. In addition, there is little evidence of plotting by officers against President Bourguiba, who has ruled the Tunisian republic since its inception. [redacted]

Military police action during the 1984 "bread riots" led senior officers to complain to civilian leaders about their newfound role and the danger of placing troops between the government and the citizenry. Senior officers were concerned that soldiers might hesitate to act during similar crises in the future. Presumably they were also concerned about the declining popularity of the Bourguiba regime and the changing character of the conscripts and junior officers, whose views reflect those of the general population. [redacted]

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Several factors account for the military's secondary role in Tunisian politics. Bourguiba has been popular for much of his career as chief executive, and he has endeavored to keep the military out of politics. His popularity is in part attributable to the country's success in obtaining independence from France without force of arms. In addition, economic development has been fairly strong since independence, and social and demographic pressures on the largely homogeneous population have been minimal, at least until recent years. On the external front, Tunisia has had few serious disagreements with

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Issues Affecting the Troops

Since the disturbances in 1984, there have been reports indicating that the military rank and file increasingly are affected by the economic, political, and social problems troubling Tunisian society. [redacted]

Economic Trends. [redacted]

[redacted] junior and middle-grade officers are complaining about salaries, poor facilities, lack of equipment and training, a surplus of officers to enlisted men, and increasing isolation and signs of corruption on the part of senior officers. According to a source of the US Embassy in Tunis, some enlisted men and noncommissioned officers wrote letters to Defense Minister Baly last April expressing unhappiness over the lack of salary increases. They threatened to boycott the Independence Day parade on 1 June and harm the Defense Minister. [redacted]

We believe disgruntlement within the military due to finances is likely to continue, especially because of the stagnation in defense spending associated with a cut in the overall government budget. The 1986 defense budget of \$295.9 million shows little change from the 1985 budget. Moreover, 80 percent of the defense procurement portion of the budget totaling \$156 million will be devoted to paying debts on loans from the United States and other Western arms suppliers. [redacted]

Foreign Relations. Crises with Libya and Israel during 1985 increased tensions within the ranks rather than heightened morale. Libya's threats and the subsequent Tunisian military alert between August and November revealed the limitations of equipment and inadequacies of training, especially within the Air Force. The inability of the military to blunt possible Libyan aggression or repel the Israeli airstrike last October against the headquarters of the Palestine Liberation Organization humiliated officers and probably tarnished their image with the public. [redacted]

The government's efforts to buttress national security by expanding military contacts with Algeria also proved unsettling. [redacted] Algerian offers last fall to provide military

equipment and troops divided Tunisian officers. Some wanted assistance at all costs, while others worried about potential opportunities for subversion on the part of Algeria. Turmoil among officers over this issue led the government to decline Algeria's offer to station troops in Tunisia. [redacted]

Social Factors. Sociological developments also are undermining the cohesiveness of the officer corps. [redacted] differences of opinion over Algerian aid followed generational lines. The more senior officers, who typically have had more extensive contacts with Western counterparts than younger soldiers, were opposed to expanded cooperation with Algiers. Younger officers were either neutral or ambivalent about the new relationship. The younger soldiers also fear restricted opportunities for promotion and the rising importance of personal contacts over merit. [redacted]

Regionalism, too, has reduced combat effectiveness. [redacted] that soldiers redeployed to southern Tunisia—increasingly a hotbed of religious and labor dissidence—during last year's alert suffered poor working conditions and were considered outsiders by local Tunisians. [redacted]

Coup Rumors

There are signs that the country's malaise has affected the senior ranks as well. [redacted] senior officers are embroiled in the intrigue, nepotism, and political maneuvering that have long been endemic among the civilian elite. The evidence of political activity among senior

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Tunisian officers is sketchy, and there is no firm evidence that the maneuvering is symptomatic of political infighting among civilian leaders. Nonetheless, there is a widespread impression among officers that politicking within the military is on the rise and that it may be a reflection of civilian rivalries.

[redacted]

[redacted]

These unconfirmed rumors, in our judgment, are fueled by the transfer or retirement from senior positions of four officers last November under mysterious circumstances. Early that month, the government dissolved the military's training command, unceremoniously dismissed its chief, and dispersed various schools to the different branches of the armed services.

[redacted]

Later in the month, the government retired three other officers, including Ferchichi, the former head of the Air Force Colonel Machta, and the former Director of Military Sports Colonel Kallel.

[redacted]

[redacted] these officers—all well qualified

and highly popular—were involuntarily removed because of illegal business dealings or because Baraket and Kheriji viewed them as real or potential rivals. Although the allegations against Baraket and Kheriji are unconfirmed, the government appears to have engaged in a widespread campaign against officials supposedly involved in corruption. The removal, especially of Ferchichi, worsened morale problems. Ferchichi was a hero in the "Battle of Bizerte" with the French in 1961 and is widely regarded by the troops for his competence and deeply held religious beliefs.

[redacted]

[redacted] senior officers are disenchanted with Prime Minister Mzali. Some believe that Mzali, as well as Baly, are not exerting authority in reforming the military and are unwilling to address the problem of declining financial resources. They also worry that Mzali may be using his position to place sympathizers in key positions without any consideration for merit or morale.

The government's search for new sources of military assistance, in our view, could become another bone of contention between Mzali and the officers. Senior officers have been informed that the government intends to expand military contacts with China and North or South Korea to explore alternative sources of weapons. The government may be considering Soviet arms as well. Although there is no evidence of discord over the pursuit of new foreign military relationships, we believe some senior officers may look with disfavor upon a turn toward the Soviets because of the risks of alienating traditional patrons in Paris and Washington.

The Military's Future Political Role

In our view, Tunisian officers are likely to become more visible in the country's politics in the coming years. Economic woes alone will encourage officers to express their concerns more readily with the government to protect the military's interests. Even if officers are reluctant to act forcefully, the

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government's poor image and declining authority will make it imperative for Mzali to turn to the Army for support during future public disturbances or violence resulting from a bitter succession struggle. [redacted]

Attitudes within the officer corps, however, are changing, to the detriment of US and Western interests. Junior officers are not as enamored as their seniors with France and the United States and probably favor nonaligned policies that would place greater distance between Tunis and Paris and Washington. To the extent that senior officers have a voice in politics, they, too, will be compelled to take account of strong currents of anti-Americanism and Islamic fundamentalism in formulating positions on domestic and foreign policy. [redacted]

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There already is some indication of the military's growing role and authority vis-a-vis civilian leaders. Most notable in this regard is the political rise of Col. Zine Labidine Ben Ali, Minister Delegate to the Prime Minister. Ben Ali received his Cabinet-level post in September during a minor shuffle of ministers. His promotion was a reward for effective service as Secretary of State for the Interior, head of the National Police, and chief of the Directorate of National Security—positions he retains. Even though Ben Ali does not command troops, he controls key police, security, and intelligence units. President Bourguiba and Mzali have come to rely on Ben Ali not only as the coordinator in charge of national security, but also as a troubleshooter on other domestic matters as well. We believe Ben Ali has more authority than most other Cabinet ministers and that he is well placed to launch a bid for power either in cooperation with Mzali or against him. [redacted]

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Senior military leaders or a cabal of junior officers probably will be reluctant to intervene in the political process before President Bourguiba's death. Bourguiba still has enough political stature to make any coup attempt risky. Bourguiba's death and Mzali's succession to the post, however, would provide opportunities for intervention, especially if Mzali failed to consolidate power quickly and enhance his appeal. Any attempt at reform by the Prime Minister that would involve a relaxation of government restrictions on political parties could create greater domestic turmoil and thus have the same effect on the military. [redacted]

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Implications for the United States

The Tunisian military generally is well disposed toward the United States, but its expanded influence in the political process would not necessarily mean a more favorable government attitude toward Washington. Senior officers, unlike much of the public, continue to support the United States, even if they disagree with Washington's Middle East policies.

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**Israel-Jordan: The Plight
of the East Jerusalem
Electric Company**

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The current financial plight of the East Jerusalem Electric Company (EJEC) is the latest example of the difficulties faced by Arab firms operating in the Israeli-occupied West Bank. With the political status of the West Bank in limbo, no party—Israeli, Jordanian, or Palestinian—is willing to provide the capital needed to upgrade the company. The problems of EJEC are particularly important as it is the largest Arab industrial enterprise in East Jerusalem and the West Bank.

Any resolution of the company's financial troubles must consider political realities as well as economic efficiency. The Israeli Government is troubled by the security implications of an Arab firm—it is owned almost exclusively by Jordanian citizens—providing power to Jewish neighborhoods and military installations. Even though this argument has faded in importance as EJEC's reliance on Israeli-produced electricity has grown, Israel continues to thwart Arab influence and control over EJEC. Jordan must choose carefully between greater cooperation with Israel and protecting Palestinian interests in the West Bank and East Jerusalem. The Jordanians are reluctant to concede control of EJEC to the Israelis, even though it is proving costly to keep the company afloat.

Background

The origins of EJEC date back to Turkish rule, with the company's operations continuing under a 40-year concession granted by British mandatory authorities in Palestine in 1928. The partition of Jerusalem in 1948 divided the company's electrical network, although EJEC remained in charge of supplying electricity to both parts of the city. The company's only power plant, however, was on the Israeli-controlled side of the city. The Jordanian-controlled sector temporarily relied on kerosene until it could establish its own source of power from small, diesel-powered generators.

By the Arab-Israeli war of 1967, the city had two separate power networks. The Israeli side was far more efficient, as it was linked to the Israeli national grid. The Arabs were still depending on their outdated generators. Despite the inefficiency of EJEC, the Israeli Government continued to allow the company to supply electricity to Jerusalem—on the condition that it supply Jewish households in East Jerusalem, Israeli military bases, and Israeli settlements on the West Bank. The small generating capacity of EJEC forced it to begin purchasing power from the Israel Electric Company (IEC).

In the late 1970s, the Israeli Government sought to buy EJEC, claiming it was too small and inefficient to meet growing demands. Moreover, the firm was in arrears on outstanding debt to the Israelis. Numerous Arab protests against Israel's move claimed the action was the latest of many attempts to prevent the formation of any sizable economic or political power base in the Arab sector. The Israeli Supreme Court intervened to resolve the conflict, ruling that the government was entitled to purchase the company's concession in East Jerusalem, but not in the West Bank. The Supreme Court, however, urged the government to reconsider any purchase decision because of the political implications. In addition, Jordan in 1979 agreed to provide the funds needed to pay the company's debts to forestall an Israeli takeover.

Problems Continue

EJEC failed to take advantage of the Jordanian assistance to address its problems. The company now generates only 7 percent of the electricity consumed by its approximately 400,000 customers—compared to 33 percent six years ago—and purchases the rest from IEC. The large debt owed to IEC for these purchases has grown to about \$5.5 million and has placed a severe squeeze on the company's cash flow.

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In early October 1985 the director of EJEC, Anwar Nusseibeh, requested permission from the Israeli Ministry of Energy to connect EJEC with the Jordanian power grid to ease the supply problems. Israel denied the request, claiming that Jordan would not be a reliable supplier because of its limited production capacity. Jordanian Prime Minister Rifa'i also ruled out the connection, arguing that the price of Jordanian electricity would not solve the company's financial problems. Furthermore, Rifa'i believed the timing was not right politically, as Jordan was striving to improve relations with Syria.

Nusseibeh then traveled to Amman in December to seek financial help. Nusseibeh obtained about \$7.5 million to bail out the company—\$5.5 million to cover obligations to IEC and the rest as a short-term operating subsidy. The grant, however, was conditioned on the implementation of cost-cutting measures:

- The company must cut wages by at least 20 to 30 percent and abolish salary bonuses.
- Current staffing levels are to be reduced from about 500 to 320 employees.
- The company must eliminate the practice of supplying free electricity to company employees, although discounts might be acceptable.

The Jordanian Government also insisted that Israel provide rate relief for EJEC, either by reducing prices about 15 percent for electricity sold to the company, or by allowing EJEC to increase prices about 20 percent for electricity sold in the West Bank. According to the US Embassy in Amman, the Israelis rejected the request for lower electricity prices and are unlikely to grant the company a rate increase, given the already strained economic climate prevalent in the West Bank settlements. Despite this setback, Jordanian Prime Minister Rifa'i has said the Jordanians would be willing to provide the grant as long as EJEC adopts the cost-cutting measures.

The board of directors of EJEC met in mid-January to discuss the cost-cutting measures recommended by the Jordanian Government. The board announced that the union representing the company's employees had tentatively agreed to lay off about 10 percent of

the work force and accept a 20-percent reduction in wages for the remaining employees. Agreement on these reductions hinges on several key points:

- The granting of severance pay for dismissed workers.
- The timing of disbursements of Jordanian financial relief.
- The hope that the Israelis will soon reduce the cost of power to EJEC.

Work actions by company employees to protest Jordanian demands, however, may hinder reform actions.

Outlook

EJEC's problems are unlikely to be resolved soon, and the issue may not come to a head until 1988 when the company's concession expires. Israel's solution may already have been outlined by Minister of Energy Shahal, who has stated that he would prefer not to extend the company's concession and is recommending the formation of a joint venture between IEC and EJEC. Shahal notes that some of the company's problems might be ameliorated if it improved relations with the settlers and proposes that the company hire some Israeli settlers as one way to do this.

Jordan is trying to take a more active role in West Bank affairs, despite the strain on its limited budget. Thus, Amman is again providing the company with short-term financial assistance to forestall an Israeli takeover. Jordan has few other options at the moment. Its best bet is to help keep Arab interests alive on the West Bank until the Arab-Israeli conflict is settled. In the meantime, Arab firms such as EJEC remain in the middle of this political tug of war.



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