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NEAR EAST/SOUTH ASIA REPORT

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SPECIAL REPORT ON GOVERNMENT INEFFICIENCY

Cairo AL-SIYASI in Arabic 20 Feb 83 p 2

/Article by Faraj al-Shinnawi: "The Central Agency for Planning and Administration Sounds the Alarm; Loss of Work Hours: 86 Percent of Work Places are not Full; 61 Percent of Working Hours Lost Due to Visits; Only 2 Working Hours During Ramadan"/

/Text/ The Central Agency for Planning and Administration has prepared a comprehensive field study under the supervision of Dr Mansur Fahmi about the lack of productivity of governmental departments. The study has uncovered one of the most detrimental features of the administrative structure and the operational system in governmental departments and public sector. We, in turn, are sounding the alarm... Our aim is not to make accusations and engage in a futile dispute, but rather to point out that reform is possible and that progress is the only option we have, no matter how complicated and compounded the problems facing us may be. We have to realize that the dire need to progress, and the determination to solve problems, require more than the availability of funds. They require maximal work and effort, and a relentless interest in the proper preparation of the individual. We have to cultivate in him high moral standards and positive attitudes, and develop his skill and capabilities so that he will be equipped to face problems and overcome them.

Let us now take a close look at the implications of this study.

First, Working Conditions

The study opens with an analysis of the conditions under which individuals work. It was found that 86 percent of work places are not adequately equipped to serve productively; 57 percent of these places are inappropriate for the kind of work they are intended for; 62 percent lack standard cleaning; 16 percent are extremely noisy; 16 percent lack proper healthful ventilation; and 9 percent do not have sufficient light. Naturally, all these factors are necessary for adequate working conditions.

Second, Observance of Working Hours

The study indicated, with respect to working hours, that 37 percent of the state employees are late to work; 21 percent leave work early without permission, 73

percent leave their work place to go to another department with or without a valid reason; 52 percent leave their work to carry out official duties; 20 percent receive visitors who come for work-related inquiries, while 44 percent receive visitors who drop in for social purposes; 62 percent spent their working time meeting with colleagues from other departments, most of the time for no legitimate reason; 62 percent talk about personal matters; and 48 percent read subject matter unrelated to work. These alarming statistics indicate that prescribed discipline in the government departments or in the public sector is lacking.

Work Customs

As for work customs, the results of the study support the necessity of revising the system which governs the relations between employees and their bosses, the administrative program, and the policy of productivity. The results of the study found that in 37 percent of the cases studied, the supervisor's office is no colocated with his staff. This does not allow for effective supervision. Also that in 49 percent of the cases, all the office machines of particular departments are crammed together in one room; that in 26 percent of the cases, separate divisions of different departments are intermingled; that in 29 percent of the cases, employees of different departments are situated in the same room; that only 60 percent of the employees are content with their work; that in 38 percent of the cases there is an imbalance between the volume of work and the number of workers; that in 39 percent of the cases, there is no accurate record of absenteeism and attendance; that 42 percent of the employees do not carry out their bosses' instructions; that in 16 percent of the cases, employees encourage their fellow-workers to disobey their bosses' instructions; that 18 percent of the employees conduct their own private business during the working hours; that 44 percent of them do not promptly finish their work; that 40 percent of them spend the time chatting with their fellow workers; 44 percent intentionally interrupt their work without justification; and finally, that 55 percent take their children with them to work. Based on these statistics, the study indicated that the daily percentage of working hours lost is as follows: 61 percent as a result of visitations, 2.19 percent due to starting work late, 2.36 percent because of leaving work to go to the government cooperative, and 12 percent resulting from leaving work to deliver or pick up children from nurseries.

Production During Ramadan

The study indicated that the actual time of starting work during Ramadan is 11:00 am, despite the fact that the official starting time is 9:00 am. In other words, two hours are wasted. In the month of Ramadan most of the employees spent their working hours in the co-ops from the time they open at 12 noon till they are officially off work at 2:00 pm. Because most of the employees fast during the month of Ramadan, reading newspapers and chatting with each other replaces their customary drinking and eating during working hours. The study asserts that the actual working hours do not exceed 2.5 hours per day. The study also showed that those who have clerical jobs, by and large, use up all their leave --vacation time, sick leave, and accident leave. The foregoing

problems that the study identified are not only alarming evidence of wasted working hours and therefore a lack of productivity, but also a part of the general problem of the civil service in state agencies. Moreover, the problem and the solution are part of the framework outlined in the following proposals.

1. In the past few years successive laws and regulations were passed regarding state employees and consequently, a number of amendments were issued. The result has been confusion and employees' preoccupation with the interpretation of these laws. Their efforts, to the detriment of their work, have been devoted to finding the answers to the following questions: How much would be earned and what would the annual increment be? What are the chances of promotions and the grades they entail? What is the extent of the opportunities they offer? What are the best means to be close to supervisors? What are the risks involved if the supervisor is prejudiced and unfair in his evaluations?
2. The centralization of the decisionmaking process and the reluctance of administrative heads to delegate some of their power to their assistants have caused a general feeling of laxity and indifference towards work.
3. The intentional absence from work to do side jobs for extra income.
4. The inflexibility and centralization of the administrative system increased the phenomenon of hypocrisy in order to gain job related advantages, regardless of efficient performance at work.
5. The lack of well thought-out long-term planning and satisfaction with poor short-term which resulted in insufficient productivity, delay in completion of work, redtape, and the inability to make the necessary decisions. Adherence to rules and regulations became the sole criterion to measure efficiency. Real and genuine motives diminished, and concern for technicalities increased at the expense of quality and productivity.
6. The absence of serious and positive supervision contributed to violations and mistakes. Work evaluation has always been satisfied with the volume, not the quality, of work. Criteria employed in the evaluation process were vague with respect to policy and goals. The absence of warm human relations and the reluctance to develop and grow were factors behind the prevalence of a low morale. The employees' pursuit of whatever means in job performance to please their superiors led to confusion. Some chief administrators believe in harsh punitive actions as disciplinary means to improve job performance.
7. The state adopted policy of providing a job for every graduate resulted in excessive over staffing, namely, masked unemployment.
8. The meager standard of production on two levels of both quantity and quality, the high cost of production, and the misappropriation of resources.
9. The rigidity of the organizational system, the constant struggle between the top administrations, the lack of collective planning, and subjectivity in evaluation.

10. The administrations failure to take measures to develop and improve production and decrease its cost under the pretext of the restrictions imposed on them by the central government.
11. The severe lack of public services such as transportation and housing contribute to the employees' sense of frustration and therefore affect their performance level.
12. The unprofitable utilization of time at work, and the inequity of incentive distribution on account of the vague criteria employed in this regard.
13. The excessive establishment of new offices overcrowded with unproductive staff, such as offices for public relations, information, and private secretariat. However, if public relations offices would operate according to modern concepts, they could put an end to many negative aspects in their capacity as in important component of the administrative system.
14. The supervisors' rejection of new ideas and suggestions presented by their staff to improve and develop their respective work comes under the pretext of claiming a preference for experience as opposed to theory.
15. Production has not increased proportionately with population increase.
16. The decrease in growth rate of many economic and industrial activities led to a sharp decrease in the growth rate of the national income.
17. The establishment of unnecessary new positions by some government departments in order to promote some of their staff.
18. The absence of coordination between production policy and production efficiency.
19. The weakness of training programs for and supervision of staff. The growing phenomena of laziness, absenteeism, unconcern, and leaving work without set guidelines.
20. The emigration of competent and skilled individuals.
21. The absence of a clear policy with respect to rendering public services leads to wasting the workers' time quarreling with the public and motivates the former to resort to personal connection to get their work done.
22. The lack of interest in preserving manpower and in preparing future generations to carry out efficiently all kinds of work.

In conclusion, all government departments should not let this study go unacknowledged. If they are indeed serious in confronting the challenge of production--and productivity--they must subject themselves to self-examination and take decisive measures. This goal can only be achieved by adopting a national policy and a general strategy to rebuild the Egyptian individual so that he will become a good citizen who believes in his work and in moral values, sound of mind and body, who is convinced that education is the only way to progress and is capable of utilizing his knowledge to serve our beloved Egypt.

FORMER MINISTERS IMPLICATED IN 'ISMAT AL-SADAT CASE

Cairo AL-AHALI in Arabic 16 Mar 83 p 1

[Text] Arguments presented in the case of 'Ismat al-Sadat have disclosed the involvement of Mustafa Khalil, former prime minister and vice-president of the National Party, and Mamduh Salim, former minister of the interior and prime minister, in facilitating some of the operations of exploitation and corruption perpetrated by 'Ismat al-Sadat and his family.

In its review, the court referred to the fact that 'Ismat al-Sadat took over a piece of desert by the Misr-Alexandria Desert Road in 1974, claiming that he was participating in the war effort in the canal area. When al-Haram Commissioner of Police 'Abd-al-Al Muhammad Basta, carrying out the decision of the minister of industry to remove the trespassers, submitted a report of the incident in order to avoid the use of force and wrote a secret report on that to al-Jizah director of security to advise him. He was surprised when 'Ismat al-Sadat and 'Ali Safwat Ra'uf, the former president's brother-in-law, threatened to transfer him from the al-Haram police department if he continued to take steps to carry out the minister of industry's decision. When the commissioner proceeded and attempted to close the report, 'Ismat al-Sadat and Safwat Ra'uf asked Maj Gen Salah Mutawalli, al-Jizah director of security, to transfer him, and he was ordered to be transferred to the position of inspector in the Bulaq al-Dakrur department. When he complained about his transfer to Minister of the Interior Mamduh Salim, Salim called him to his office and threw the papers of complaint in his face and then referred him to the High Police Council as a warning to him not to obstruct 'Ismat al-Sadar and 'Ali Ra'uf Safwat. He was then surprised to be issued orders pensioning him off.

Former Prime Minister Mamduh Salim issued a decision to change the purpose of use for apartment Number 12 at 19 'Adli Street from private use for Jalal al-Sadat to an office and private residence, although the Egyptian Insurance Company rejected that.

The court also mentioned that Prime Minister Dr Mustafa Khalil issued a decision in 1979 allocating apartment number 91 in the same building to Jalal al-Sadat's mother.

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CSO: 4504/296

JOURNALISTS CONTINUE SLANDER BATTLE IN COURT

Cairo AL-AHALI in Arabic 16 Mar 83 p 1

[Text] The 'Abidin Court of Misdemeanors under Judge Mahmud Darwish has decided to postpone the trial in the suit brought by Ahmad Baha'-al-Din against Ahmad Zayn, editor-in-chief of AL-AKHBAR, accusing him of slander, public insult and falsification until 22 April.

There was an odd twist to the consideration of the case on the preceding Tuesday. After Ahmad Zayn's lawyer had asked for a postponement several times since the month of October, Ahmad Zayn surprised the court in the last session by offering a defense based on denials that he had Ahmad Baha'-al-Din in mind in his twelve editorials, claiming that he had meant the newspaper AL-AHALI. He submitted a file containing two pages of "Ramadan meditations" published by AL-AHALI during the month of Ramadan. The pages were written by Muhammad Ahmad Khalifallah, Counselor Tariq al-Bishri, Shaykh Su'ad Jalal, Dr Hasan Hanafi, Shaykh Mustafa 'Asi, Engineer Zayn-al-Din al-Sammak and Dr Muhammad 'Amarah. Ahmad Zayn's defense said that he had meant these men. Lawyer Raja' 'Atiyah responded vehemently, describing this position as cowardly evasion and a step backward. He said that Ahmad Zayn had forgotten that he mentioned Ahmad Baha'-al-Din by name in one of his twelve editorials, which were written in response to the Ramadan column written by Ahmad Baha'-al-Din in AL-AHRAM during the month of Ramadan. Also, all of the editorials were in reply to a specific paragraph of Ahmad Baha'-al-Din's Ramadan meditations. Ahmad Zayn published a passage in AL-AKHBAR, on the basis of which he accused Ahmad Baha'-al-Din of unbelief and heresy. Raja' 'Atiyah asked: Ahmad Zayn accused the writer of owning three palaces abroad, a villa on the Riveria, and eating caviar and smoked fish every day and regardless of the falsehood of these claims, AL-AHALI and its writers are not making such accusations.

AL-AHALI's note: AL-AHALI has decided to ask for a transcript of the session to bring a suit against Prof Ahmad Zayn.

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BRIEFS

'MENA' TRIAL VERDICT--The South Cairo court issued the first verdict, in 80 cases before the court against Muhammad 'Abd-al-Jawad, head of the Middle East News Agency, because of what has become known among journalists as "the appeasement massacre." The verdict rules that the journalist Zaynab Wahbi is entitled to the position of "senior-editor" nullifying 'Abd-al-Jawad's decision to placate her with the position of "editor," ignoring her 20 years of journalistic service. The court ordered prompt execution of the judgment. Other rulings are expected within the next few weeks. It is well-known that the union council had failed to resolve the matter. [Text] [Cairo AL-AHALI in Arabic 16 Mar 83 p 1] 7587

'AL-WADI' SUSPENDED--High official circles asked to be provided with recent issues of the magazine AL-WADI, which included articles and press investigations on the late Jamal 'Abd-al-Nasir, in order to evaluate the decision to close it down as of 1 April. The minister of information conveyed this decision to the ROSE AL-YUSUF organization, which publishes the magazine in cooperation with the Sudanese DAR AL-SIHAFAH. It is known that AL-WADI's circulation rose from a few hundred before the beginning of 1982 to about 40,000. Its editors have submitted an application to continue publication, without compensation, to deliver its message about integration. However, that has not yet been successful in changing the decision to suspend it. Public opinion and press circles in the two countries accepted the news with great regret. [Text] [Cairo AL-AHALI in Arabic 16 Mar 83 p 1] 7587

COMMUNIST PARTY TRIALS--On Wednesday, the Supreme State Security Court under Justice Muhammad Mustafa Hasan will consider two cases in which the accused are Ahmad Nabil al-Hilali, a member of the lawyers' union council, and a number of lawyers, journalists, engineers, doctors, labor and union leaders and students forming the Egyptian Communist Party. The first case, from August 1979, involves 30 defendants, and the second, from March 1981, involves 47 defendants. [Text] [Cairo AL-AHALI in Arabic 16 Mar 83 p 1] 7587

JOURNALIST'S NDP RESIGNATION--Journalist Jamal Hamdi has resigned from the National Democratic Party. He was one of the members of the party's founding committee, a member of the professional secretariat, and a member of the culture and information committee. Jamal Hamdi had held the posts of assistant secretary-general of the journalists' union, reporter on its foreign relations committee, and member of the steering committee for 8 years. Journalists were

mentioning him for several high union positions. It should be noted that he had been arrested and imprisoned before the 1952 revolution, was one of the leaders of the secret resistance in the Canal region during the tripartite aggression in 1956, and participated in the operation to transport the first and largest shipment of arms to the "Radfan" region to aid the South Yemen revolution at its beginning. He participated in the attack on the Israeli Golan "Jabin" camp in 1968 with the Popular Front for the Liberation of Palestine. Jamal Hamdi wired his resignation to President Husni Mubarak and the head of the National Party. [Text] [Cairo AL-AHALI in Arabic 16 Mar 83 p 4] 7587

CSO: 4504/296

GOVERNMENT'S FINANCIAL STATUS EXAMINED

Paris AN-NAHAR ARAB REPORT & MEMO in English No 20, 16 May 83 p 3

[Text] *Our London correspondent writes:*

Libya is now in a position to clear its trade debts and prospects for contractors are improving, according to a speaker at a recent meeting at the London Chamber of Commerce and Industry. Following budget over-spending in 1981, Libya faced a serious cash flow problem last year. However, budget control measures have succeeded in putting the house in order, John Bowyer, Chairman of the British consultants White Young Project Development, told the LCCI audience, who represented British companies and were looking for reassurance about Libya's payments position. In the past, British contractors have been extremely wary of working for the Libyan government – not least for fear of nationalisation and the arbitrary calling of on-demand performance bonds. Large companies have been able to ride out the crises more easily than smaller contractors working on one-off jobs. But the position has improved for them all now that OPEC has agreed a production ceiling of 1.1 million b/d. This figure comes sufficiently close to planned production of 1.4 million b/d to allow most targets to be met.

A second pointer to better days to come was the decision in June 1982 to make the Central Bank Libya's sole monetary agency, thus ending the system whereby secretariats (ministries) could set up letters of credit on their own account. Mr Bowyer told the meeting that this move meant that by the end of 1982 the Central Bank had a true picture of its outstanding commitments, leading to an easing of the budget position during the first quarter of 1983.

Companies are advised, however, to ensure they are properly registered with the appropriate secretariat and follow the regulations issued by the General People's Congress in 1981. Mr Bowyer also warned that companies should check that the proposed contract was allocated funds within the budget. Failure to observe these precautions could lead to suspension of the project at a late,

and potentially expensive, stage of tendering. Mr Bowyer told the meeting that the business climate in Libya is favourable to foreign contracts and that "the revival appears to have started..." His own firm has been doing business in Libya for 10 years and it had never failed to receive payment on any of the projects with which it had been involved.

CSO: 4500/227

RAPPROCHEMENT WITH ALGERIA ASSESSED

Paris AN-NAHAR ARAB REPORT & MEMO in English No 20, 16 May 83 pp 2-3

[Text] The recent *rapprochement* between Algeria and Morocco has opened up possibilities for significant economic development that could provide additional pipeline outlets for Algerian gas. Its repercussions could spread as far afield as Nigeria and the Soviet Union. Last week, US Energy Secretary Donald Hodel pledged support for a feasibility study for a gas pipeline network from North Africa to Europe that would cross the Mediterranean via the Straits of Gibraltar to Spain. The network would link initially Algeria's gasfields to Europe but the project, as set out by Spain's Industry and Energy Minister Carlos Solchaga, could eventually bring Nigerian gas to Europe as well.

Mr Hodel gave his backing for the study during a meeting with Mr Solchaga at a ministerial conference of the International Energy Agency in Paris. American interest in the scheme stems from the Reagan administration's hostility to the gas pipeline now being built from Siberia to Western Europe; by extending the trans-Mediterranean pipeline to France and from thence into the existing network of pipelines, African gas would offset European dependence upon the Soviet Union for energy supplies.

The project was presented by Spain but Mr Solchaga was not acting alone. Algeria is eager to get the pipeline built because of the stimulus this would give to its economy and Algiers is understood to have pressed the Spaniards to air the question at the IEA meeting despite some objections from the French. This does not, however, mean that France does not like the idea of a network. Quite the contrary is true. But France alone of the members of the Organisation for Economic Cooperation and Development (OECD) is not a member of the IEA and the French clearly wanted to be present when the scheme was unveiled in public.

Schemes to bring Algerian gas to Spain have been under study for several years but a much longer undersea route which avoided Morocco had been envisaged because of the seven-year rift in bilateral relations. That pipeline would be 200 kilometres in length, running between

Arzew in Algeria and the Spanish port of Almeria and the depth of the waters to be crossed meant there would be technical difficulties far greater than those encountered in building the \$2 billion trans-Mediterranean pipeline from Algeria's Hassi R'mel gas field to Sicily.

A feasibility study conducted last year by Bechtel which was financed by the US State Department concluded, however, that a route across the Straits would not be suitable because the seabed was too shallow. The study indicated, however, that other routes were available to southern Spain. The original idea for a gas pipeline to Spain dates back to the 1970s and SEGAMO, a company bringing together Algerian, French and Spain interests, was formed to undertake studies.

The initial estimate for the cost of the project announced by Mr Solchaga is about \$10 billion, according to Spanish officials. Sources in Paris indicated, however, the idea of a pipeline to Nigeria might prove less attractive commercially than it would appear at first sight. They said many gas companies would be reluctant to enter into long term commitments with Nigeria.

Spain would like to buy African gas delivered by pipeline because it sees this source providing energy at prices lower than the cost of Soviet gas. Mr Hodel's support for the Spanish scheme was doubly welcome because King Juan Carlos made a state visit to Algeria last week on the day following the IEA conference. Supplies of Algerian gas, at present in the form of LNG, were a key issue discussed during this visit.

Spain has been careful to cultivate close relations with Algeria and Morocco and the arrival in power of a socialist government in Madrid has been the signal for a quest for even closer links with Spain's Arab neighbours. Premier Felipe Gonzalez visited Morocco and Deputy Premier Alfonso Guerra went to Algeria in February; the socialist leader was a fairly frequent visitor to Algiers while he was a member of the opposition and he undertook missions to free Spanish fishermen captured at sea off Spain's former Spanish Saharan colony by the Polisario Front some years ago.

Some indication of the way in which the new Spanish government would like to proceed can be seen in guidelines issued by the Economy Ministry. These laid more than usual stress on the need to combine long term cooperation with trade. Spanish exports to Morocco have

been running at about \$300 million a year (they stood at \$306 million in 1981 and were worth \$225 million for the first nine months of last year) and Spain imported goods from Morocco worth \$138 million during the first three quarters of 1982, making Spain Morocco's third biggest customer after France and West Germany.

The meeting in March between Morocco's King Hassan and Algeria's President Chadli Benjedid and the subsequent improvement in relations between their two countries will almost certainly lead to a winding down of the war in the Western Sahara, where the Polisario Front relied heavily upon assistance and support from Algeria. This means that the type of rescue mission carried out by Mr Gonzalez will probably not have to be repeated. But Spanish relations with Morocco have been complicated by disputes over fishing rights, notably for the 100,000 fishermen of the Spanish Canary Islands, which lie within a 200-mile exclusion zone declared by Morocco two years ago.

Morocco is not the only country with which Algeria has mended its fences. Relations with Tunisia have likewise improved, offering significant opportunities for trade between the three countries. Algeria imports large quantities of food and could be a ready market for Moroccan agricultural produce, in exchange for oil and gas as substitutes for the oil from the Gulf and European coal which Morocco imports at present. Tunisian industries which face growing protectionism in their markets in Europe, could meanwhile benefit from better access to Algeria.

CSO: 4500/227

WESTERN SAHARA

MINISTER OF EDUCATION LAMINE ON SAHRAOUI PROBLEMS

Algiers ALGERIE ACTUALITE in French 28 Apr - 4 May 83 pp 10-11

[Interview with Mohamed Lamine, member of the Executive Committee of the Polisario Front, minister of education of the SDAR, by Malika Abdelaziz: "We Can Give Everything Except Sovereignty"]

[Text] [Question] "The whole fatherland or martyrdom." Why was the 5th Congress of the Polisario Front held under that motto?

[Answer] As a matter of fact, the 5th Congress was held under difficult conditions at a time (October 1982) when an all out imperialist offensive was taking place in the world against the liberation movement.

At that time, the prevailing atmosphere was defeatist, an atmosphere of demoralization and also of defeats. In this context, a so-called solution was put forward: the division of the Western Sahara, that is to say the reactivation of the tripartite agreements of Madrid. If the Sahraoui people were in the least inclined to accept this division, they would not have taken up arms!

We want our whole fatherland and we don't agree with the distinction between "useful Sahara" and "useless Sahara"...

Our whole fatherland is "useful"!

Faced with this situation of reactivation of concepts of division, we submit the charter of the Organization of African Unity, the pertinent decisions made by international institutions among which is strict respect for the borders inherited from the colonial period. Our 5th Congress was held within the framework of rejection of division, of rejection of partition.

"The whole fatherland or martyrdom," because we would prefer, without hesitation, that they say:

"The Sahraoui people have disappeared," rather than "they accepted the division, the carving up." Our fatherland is indivisible, that is the profound conviction of the Sahraoui people, and during your stay with us you have been able to observe that through their mobilization.

[Question] The revolution of 20 May 1973 made significant strides, the most well known of which are undoubtedly the major battles which liberated 90 percent of the national Sahraoui territory. However, from a strictly military point of view the situation seems to have evolved little over the last 2 years.

What is the situation exactly? How do you characterize the current stage?

[Answer] With its policy of rejection of domination and division, of partition, the Sahraoui people have led this revolution on all fronts, in all areas: social, political, cultural and military. We have taken advantage of the mistakes made elsewhere, by other revolutions.

True, there is an imperialist and Western desire to strengthen Morocco's intransigence. This is fed by the United States which has transformed Morocco into a military arsenal. In the light of your question and contrary to what it suggests, we say that the war in the Sahara has experienced a major evolution. This is manifested by the changes and disappearances which have occurred within the Moroccan army itself. Which is the same thing as saying that if this war "is not evolving" within the "useful triangle," it has vital repercussions within Morocco itself. Today, the people, the army of Morocco are placed before two choices: either Morocco or the Sahara. Morocco is the object of a kind of carving up, military bases, advantages which have been granted... Hence, the army must make up its mind either to remain hidden in the trenches or to come out in favor of Morocco.

This is, I believe, the Gordian knot of the problem.

And the real feeling of that army is that this soil is not theirs.

In spite of these new facts, in spite of the intensification of American intervention, our attacks continue unabated, regularly. The Moroccan military expenditures also continue, with their repercussions in the economic and social areas. We, we are supporting a guerrilla war. You know, the Sahrawis wage war only when they are sure they will win. Which also applies to every operation.

This being so, our revolution is doing well.

[Question] President Chadli's reaffirmation of Algeria's positions of principle with regard to the right to independence of the Sahrawi people has not prevented a great deal of speculation from following and from continuing to surround the recent meeting between the Algerian president and the king of Morocco.

Many Western media, directly or by innuendo, attribute dimensions to these contacts which would have a direct impact on the future of the SDAR.

What are your analysis and your assessment of these different points?

[Answer] We believe that certain Western countries and their vehicles of expression, that is to say the media, don't understand anything about Algeria. They speculate and have a tendency of seeing Algeria in terms of their own desires. According to what they would like it to be.

One should add to this what they are trying to do with people's minds, the goals toward which they try to channel them.

Our relations with Algeria, between the Sahraoui revolution and the Algerian revolution, are neither circumstantial relations nor temporary relations. Our concerns? To remove the military specter from this region, to put an end to fratricidal conflicts, in favor of the emergence of our legitimate claim: the Arabian Maghreb. This Arabian Maghreb can only be enlarged by the addition of the SDAR.

You have heard, just as we have, those pernicious campaigns which attempt to distort, to question the Algerian-Sahraoui relations.

Just as we did, you got wind of the so-called clashes, confrontations between our two armies and of other brainwashing maneuvers.

As far as we are concerned, we know Algeria. Algeria has, for example, nothing to do with the United States which proclaims its support, or at least respect for the right of peoples and which provides all the means to violate these rights.

As for me, I believe that the whole Algerian position consists in this: to support the just rights of the Sahraoui people, to be in solidarity with it and to find a just solution to this problem.

We have full confidence in the Algerian revolution and in the dimensions assumed by this revolution.

We are convinced that the facts will refute the insidious campaigns.

[Question] There is also talk of "direct Sahraoui-Moroccan contacts," of "the imminence of a settlement to the conflict." Multiple forms are being advanced, with one constant element: a "softening" of the Sahraoui demands. Where is the solution then? What future is there for the Sahraoui people?

[Answer] That meeting took place in Bamako in 1978. According to our own analysis and until there is evidence to the contrary, the king of Morocco is continuing to maneuver and until now we don't see the imminent settlement of the conflict. Because, as far as we are concerned, we are opposed to any division and hence, we are opposed to "a mini-state" in the Southern and Eastern Sahara.

That is the idea which prevails in certain minds, primarily Western ones.

We can give everything, except sovereignty!

We spoke earlier of the Arabian Maghreb. And if there is a will to build this Maghreb, then there is a small people, ours, whose vocation is not war and who could contribute to the construction of this Maghreb.

We wish that it be given peace, so that this contribution may become a reality, especially in the economic area. Our potential would then be placed in the "basket" for the construction of the Arabian Maghreb. We don't harbor any animosity, any hatred against the people of Morocco. For all time, we have common borders with Morocco and cooperation is more than necessary.

The Sahraoui government sees no other solution than total independence of the Western Sahara. Efforts have been made and steps have been taken by a certain number of friendly and neighboring countries to promote a rapprochement between Morocco and the Polisario Front.

Morocco is weary, tired of the war and those who support it in this effort are also full of weariness.

Even an advanced state and one endowed with adequate resources, cannot support a war indefinitely. How then could it do so on behalf of another Third World country?

The search for a solution within the framework of maintaining the "useful triangle" is futile. Because the Sahraoui people will not be able to accept it, especially not since the adoption of the slogan of the 5th Congress: "The whole fatherland or martyrdom."

8463
CSO: 4519/220

FOREIGN DEBT UP 15 PERCENT

Jerusalem THE JERUSALEM POST in English 9 May 83 p 1

[Article by Avi Temkin]

[Text] Israel's foreign debt increased by almost 15 per cent during 1982 — from \$18.2 billion in December, 1981 to \$20.9b. in December, 1982. Figures released by the Bank of Israel yesterday show that the relatively large increase in the country's foreign obligations was accompanied by a worsening in the composition of the country's total debt.

Israel's short-term debts comprised 13.1 per cent of the total at the end of 1981. But they increased faster than long-term borrowings, and 12 months later accounted for 15.4 per cent of the whole.

During the current year Israel will have to repay some \$5.7b. to foreign governments and institutions of which \$1.2b. will be paid as interest and the rest on the principal.

However, economic observers pointed out that a large part of these repayments are due to short-term credits which can be renegotiated at short notice.

Commenting on these figures, the head of the Alignment faction in the Knesset Finance Committee, MK Adi Amorai, said that the increase in Israel's foreign debt is the result and proof of the failure of the government's economic policies.

Criticism of Finance Minister Yoram Aridor's policies also came from the coalition. Appearing on

television yesterday, former finance minister Yigael Hurvitz blamed Aridor's policies for the increase in private consumption and warned that unless something was done quickly, factories would soon begin to close down.

But Hurvitz supported Aridor's opposition to wage increases to doctors and teachers, saying that he hoped the finance minister would be able to stand his ground.

BRIEFS

BAN ON MIAMI CHARTERS--Tel Aviv.--More than 50 charter flights from Miami, scheduled to bring thousands of tourists to Israel this summer, have been cancelled because the Civil Aviation Authority refuses to let the two companies which organized the flights, land at Ben-Gurion Airport. The two companies, Air Israel and Carefree David, chartered a weekly flight each from Miami to Israel, from April to October and have already sold most of the tickets. A package tour to Israel sold by Carefree David, including return flight, a week's stay in a three-star hotel and breakfast, costs \$699. The Civil Aviation Authority banned the companies from landing at Ben-Gurion, maintaining that because El Al operates a line to Miami, this would be a violation of the charter flight regulations. But aviation circles said yesterday that El Al's Miami route operates only in summer and is therefore not a regular flight but a seasonal one, like a charter flight. Officials at El Al said yesterday that the route to Miami was a regular one, despite being seasonal. Tourism Minister Avraham Sharir confirmed that the Civil Aviation Authority refused to allow the charter flights to land here. "The Transport Ministry is helping El Al, but damaging the tourism flow to Israel. The ministry must help bodies who bring tourism here, instead of hindering them," Sharir said. He added that he would do everything within his power to enable the two charter companies to fly to Israel. However a Transport Ministry spokesman said the ministry had received no landing requests from the two companies. "If we had we would have considered them," he said. [Text] [Jerusalem THE JERUSALEM POST in English 9 May 83 p 3]

CSO: 4400/351

NON-OIL SECTOR'S GDP INCREASED 16 PERCENT IN 1981

Kuwait ARAB OIL in English No 5, May 83 p 19

[Text] **T**he Kuwait non-oil sector's gross domestic product (GDP) registered an overall increase of 16 percent during 1981 while crude oil prices and production have dropped, according to a statistical report released by KUNA recently.

The manager of the Central Statistical Office of the Ministry of Planning Musad Al Amein said that in its annual publication on "National Accounts Statistics", the office has presented key economic indicators for the period 1972-1981.

The official policy of conserving crude petroleum reserves and restricting production levels had its impact on GDP at current prices in 1981, which has been estimated to be 24.3 billion dollars, 9.3 percent less than that of the previous year, the report said.

Decline

Consequent to the fall in crude petroleum production from 607.3 million barrels in 1980 to 411.2 million in 1981, GDP from the oil sector declined from \$19.20 billion in 1980 to \$15.3 billion in 1981, that is, by 20.5 percent.

The non-oil sector's GDP, on the other hand, registered an overall increase of 16 percent during 1981, with sectoral growth rates varying from 7.9 percent in trade, hotels and restaurants to 20.9 percent in community, social and personal services. GDP at current prices from construction registered an increase of 19.5 percent in 1981, followed by finance, insurance, real estate and business services at 19.8 percent; transport and communication at 17 percent. Manufacturing (Excluding refining) sector increased by 12.6 percent and electricity and water by 9.8 percent.

Analysing the GDP by type of expenditure, it is found that gross fixed capital formation which represents new construction and

additions to machinery and equipment increased by 32 percent during 1981.

Government consumption expenditure went up by 15.3 percent. Exports of goods and services declined by 21.2 percent due to a fall in oil exports from 476.9 million barrels in 1980 to 297 million barrels in 1981. Imports of merchandise increased by 14 percent and private consumption expenditure rose by 19.5 percent.

The decline in GDP due to the curtailment of crude petroleum was significantly compensated by the increase in investment income from abroad.

Gross National Product (GNP) which includes this investment income declined only marginally in 1981 by 0.2 percent and stood at 32.5 billion dollars. Per capita national income was \$21,700 in 1981 compared to \$23,200 in 1980.

Over the ten year period 1971-81, GNP at constant prices registered an average growth rate of 9.3 percent. Gross fixed capital formation which reflects the investment in the economy maintained an average annual growth rate of 14.5 percent in real terms while government final consumption expenditure moved up at 9.2 percent annually.

Imports increased at an annual rate of 18.5 percent while exports declined by 1.7 percent annually, during the period.

CSO: 4400/345

LEVEL OF EXPORTS REFLECTS POLITICAL UNCERTAINTY

Paris AN-NAHAR ARAB REPORT & MEMO in English No 21, 23 May 83 p 5

[Text] Lebanon's exports in the first quarter of this year were worth LL 770 million (\$185.5 million), a fall of 55.6 per cent compared with the same period in 1982. According to figures published by the Beirut Chamber of Commerce, exports of products bearing certificates of origin amounted to LL 462 million, or 60 per cent of the total. The poor performance of Lebanese exporters during the January-March period may be attributed to the combined effects of unusually harsh weather conditions, which rendered the Beirut-Damascus highway impassable for much of the time, the insecure military situation and the temporary ban on Lebanese goods imposed by Saudi Arabia, which is normally Lebanon's leading customer.

Signs of recovery appeared in April however, when exports of industrial goods reached LL 161 million (\$39 million), an increase of 27.6 per cent over figures for the previous month. According to the Industry Ministry, Saudi Arabia accounted for 65.1 per cent of industrial exports with purchases totalling LL 105 million (\$25 million), followed by Syria with LL 12.86 million, Iraq with LL 8.11 million, Libya with LL 6.1 million and Jordan with LL 6.1 million. Minister of Industry and Petroleum Georges Frem said last week that the Council of Ministers had approved a proposal to lend a further LL 200 million (\$48 million) to Lebanese industrialists, over and above LL 350 million (\$84 million) approved previously.

Meanwhile, Economy Minister Ibrahim Halawi announced that he had appealed to President Reagan's special envoy Philip Habib to intervene to ensure the free circulation of goods inside Lebanese territory. There have been reports that Israeli forces in South Lebanon were obstructing deliveries of goods from Beirut, apparently to try and force traders to get their supplies from Israel instead (*An-Nahar Arab Report & MEMO*, May 2). According to Mr Halawi's statement, the Israelis gave Mr Habib a promise that they would not interfere in Lebanon's economy. However, the Beirut daily *L'Orient-Le Jour* reported last week that Israeli soldiers manning a roadblock at Khalde just south of the Lebanese capital had turned

back five trucks laden with flour destined for the Shouf and the South. Moreover, the newspaper said, the Israelis had prevented deliveries of gasoline from the Zahrani refinery south of Sidon from reaching Beirut.

Customs receipts in the first four months of the year reached LL 423.1 million (\$102 million), compared with LL 144.1 million (\$34.7 million) in the first four months of 1982. Receipts for April alone amounted to LL 167.1 million, reflecting the effects of the closure of some of the illegal ports which had been depriving the government of a major portion of its total revenue. Income from customs dues is now expected to top LL 1.5 billion (\$361.4 million) by the end of the year, compared with last year's post-war low of LL 404 million (\$97.3 million).

Mr Halawi added that Lebanon was continuing its efforts to persuade Saudi Arabian leaders to reauthorize the import of certain goods from Lebanon, banned by Riyadh for fear that they might include products of Israeli origin. Last month it was reported that Saudi Arabia had lifted the ban following a visit to Beirut by a Saudi delegation of experts. In response to Saudi pressure for the tighter regulation of Lebanese exports, the Lebanese government ordered the newly-created National Council for External Economic Relations to take over the issuance of certificates of origin (*An-Nahar Arab Report & MEMO*, April 18).

CSO: 4400/346

CULTURAL EXCHANGES WITH CHINA PLANNED

Muscat TIMES OF OMAN in English 5 May 83 p 3

[Article by Muzaffar Mohammad]

[Text] **Oman and the Peoples' Republic of China have agreed on a wide exchange of - young people - artists, educationists and archaeologists.**

The agreement came during talks held between the visiting Chinese Minister of Culture Mr. Zhu Muzhi and Oman's Minister of National Heritage and Culture Sayyid Faisal bin Ali.

Mr. Muzhi, who left Muscat on Tuesday for Karachi after a five-day official visit to the Sultanate told the Times in an interview that China has decided to fully participate in ceremonies planned for 1983 which was declared Youth Year by His Majesty Sultan Qaboos.

He said his talks with his Omani counterpart have been extremely fruitful and at Oman's request China has agreed to send a large contingent of sportsmen, artists and acrobats to Muscat in November this year.

He said Oman's Ministry of National Heritage and Culture has agreed to hold an Omani Cultural Week in Peking next year. Sayyid Faisal bin Ali has accepted an invitation to visit China to inaugurate the week.

Mr. Muzhi disclosed that China will also hold a paintings exhibition in Muscat. This, he said, would

provide an opportunity to Omani people to know more about China.

He said from the Omani side two delegations will visit China this year. The groups will consist of educationist and archaeologists. They will discuss matters of mutual interests and ways to promote co-operation in education and cultural fields.

The Chinese Minister said that his country attached great significance to its friendship with Oman which has centuries-old links with China.

During his stay in Muscat Mr. Muzhi held meetings with Sayyid Thuwainy bin Shihab, Mr. Yousuf al Alawi Abdallah, Mr. Yahya Mahfoodh al Mandhri, Dr. Salem Hamdan and Mr. Said Nasser al Khusaibi.

He said during meetings with major Omani personalities he felt a strong desire on their part to develop and strengthen friendship and ties with China.

Mr. Muzhi expressed pleasure over the fact that his visit has taken place at a time when the two countries are celebrating the fifth anniversary of the establishment of diplomatic relations between them. He expressed his confidence that friendship between Oman and China will grow by leaps and bounds in the year to come.

Mr. Muzhi made a special mention of the Omani vessel Sohar's historic journey to Canton

and said the project was a stepping stone for the start of wide-ranging cultural co-operation between the two countries.

He said the expedition aroused interest not only among the people of Oman and China but people all over the world.

Mr. Muzhi who was in Oman following visits to Egypt, Turkey, and Algeria left on Tuesday for Karachi on an official visit to Pakistan.

BRIEFS

OMAN-CHINA AIR ACCORD--Oman and the Peoples Republic of China have signed an agreement relating to civil air transport between the two countries. The agreement was signed by Oman's Minister of Communications Sayyid Salem bin Nasser al Busaidi and the visiting Chinese Minister of Culture Mr. Zhu Muzhi on Tuesday morning in Muscat shortly before the departure of the Minister at the end of a five day official visit to the Sultanate. [Text] [Muscat TIMES OF OMAN in English 5 May 83 p 1]

FISHERIES STATISTICS--The total revenue of the Oman National Fisheries Company rose by 44 per cent in 1982 and the firm handled more than 5,000 tonnes of fish an increase of 113 per cent over 1981. Sales of fish grew by 85 per cent and contributed 88 per cent of the total revenues. The shareholders of the company were told at the annual general meeting at the Al Falaj Hotel last week that the squeeze on the company's profitability resulted from several factors. The country's coastal waters had experienced the invasion of jelly fish and this resulted in higher production costs. At the same time, the inability of certain clients to maintain agreed offtake schedules, led to increases in inventory holding costs. In fact, the company was forced to hire storage space for its own and the Director of Fisheries' cargoes. Mr. Khamis al Hashar, Chairman of the company said the company had recently acquired a freeze trawler which was expected to begin operation in the second half of the year. [Text] [Muscat TIMES OF OMAN in English 5 Mar 83 p 30]

WARM-UP FOR SOHAR SMELTER--Oman Mining Company's copper smelter at Sohar has been put through a warm up so that regular production of copper can begin by the end of May. The 200 million dollar smelter is expected to produce 20,000 tonnes of copper anodes, and after refining the copper should be 99.8 per cent pure. The water needed for the process of elaborate crushing and mixing with chemicals comes from a desalination plant at the coastline. [Text] [Muscat TIMES OF OMAN in English 12 May 83 p 3]

HELICOPTER SERVICE--Oman Aviation Services is to start a passenger and cargo helicopter service in July. This was disclosed by Mr. Roger Meldrum, General Manager of Oman Aviation Services on Sunday before his departure to Karachi on an official visit for talks on strengthening co-operation between OAS and PIA. He told the TIMES that the new service, which is part of the OAS efforts to contribute to the development of the country, was being organised as a joint venture with British Airways Helicopter Services. To begin with a helicopter has been acquired from British Airways but the OAS will buy its own

helicopters if the service proved to be successful, he added. Mr. Meldrum said the helicopter service was being started to serve the people of remote areas where there are no normal landing facilities as well as take material for projects in areas which are not normally accessible. Mr. Meldrum added that Oman's domestic airline had been trying to strengthen its fleet of aircraft since its establishment. The latest addition is a Twin Otter plane which has been bought to serve Elf Aquitaine--the French oil company, with a view to help in exploration activities. Elf will be the second oil company in Oman to be served by Oman Aviation--the other is PDO. Three F-27 Fokker planes are serving PDO. Oman Aviation Services operates flights from Muscat to Salalah and Masirah with its own aircraft or with chartered planes. The company's first and only foreign flight is operated between Muscat and Gawadur in coordination with PIA. The service is meant to serve a large number of Omanis living in Gawadur. [Muzaffar Mohammad] [Text] [Muscat TIMES OF OMAN in English 12 May 83 p 1]

CSO: 4400/347

QATAR

BRIEFS

BANK DEPOSITS--Total bank deposits in the 13 banks in Qatar stood at the end of March at QR4.4bn (approx \$1.25bn) the director of Qatar Monetary Agency, Majid Mohammad Majid al-Saad said yesterday. Deposits in foreign currencies amounted to QR3.2bn. Bank credit totalled QR5.9bn out of which the commercial sector received QR2.5bn, (42.78%), construction and housing QR0.82 bn, (13.9%) and individuals QR1.5bn (25.6%).--QNA. [Text] [Doha WEEKLY GULF TIMES in English 28 Apr 83 p 3]

CSO: 4400/347

NEW HOSPITAL PROJECTS IN WESTERN PROVINCE

Jiddah SAUDI BUSINESS & ARAB ECONOMIC REPORT in English No 2, 30 Apr 83 p 9

[Article by Habib Rahman]

[Text] The Western Region's Health Directorate plans to build and upgrade numerous hospitals in the region in order to ease overcrowding, leading health officials have told *Saudi Business*. The directorate also plans to carry out a meticulous study of health service in the region's existing 16 government hospitals to ensure that facilities are being properly used.

Deputy Minister of Health Dr. Nazih Hassan Nasif said that four hospitals in the region will be renovated during the new fiscal year. The Ibn Sina Hospital for leprosy, located between Jeddah and Makkah, King Faisal and King Abdul Aziz hospitals in Makkah and Taif's chest hospital are all due for renovation work. The 140-bed Ibn Sina is more than 20 years old, Dr. Nasif noted.

There are also a number of new hospitals due for tendering this year. Dr. Adnan Jamjoom, the director of health affairs in the Western Region, told *Saudi Business* that in Jeddah, a 300-bed maternity and children hospital is ready for tendering. The hospital, designed by Jeddah-based Arab Consulting Engineers, will be built near the sports stadium on Makkah Road. Also under design are a 200-bed national cancer institute and a 350-bed general hospital near the university and close to the Makkah Expressway. "They will be built facing each other and linked to one another," according to Dr. Jamjoom.

A new 50-bed hospital will be built at Al-Laith, 250-km south of Jeddah, and a 100-bed hospital in Rabigh, presently under construction, is expected to become operational within six months.

In Makkah, expansion and modernization is underway at all four of the cities' hospitals, whose total bed capacity now stands at 1,300. Al-Shisha Hospital will have a new surgical department that will be operational very soon, according to Dr. Jamjoom. A new out-patient clinic, designed by the Health Directorate office, will be added to Makkah's maternity hospital, and three new departments — a burn center, a modern intensive care unit, and an operation theater — will be installed at King Abdul Aziz Hospital. "We will add two heat stroke centers, one each at King Faisal Hospital and King Abdul Aziz Hospital, and they are expected to become operational before the Haj," the health director said.

Studies are being conducted for a new general hospital in Taif. The Health Ministry has already rented and is in the process of converting a big building in Taif into a 200-bed maternity and children's hospital to ease the pressure on the general hospital. "It is expected to be ready in three to four months," he said. Currently, there are three hospitals in Taif with a total capacity of 3,000 beds.

This year, the Health Directorate is planning to float tenders for the following

contracts: maintenance of King Faisal Hospital in Taif; maintenance of all hospitals in the Western Province; furnishing and supplying medical equipment for the kidney units in Taif, Jeddah, and Makkah; furnishing contracts for 19 dispensaries in the province; expansion of laboratories in the Chest and Psychiatric hospitals in Taif and the Maternity and Children's Hospital in Makkah.

The Health Ministry has awarded a six-month contract to Riyadh-based Saudi Consulting House to study hospitals in the Kingdom. Dr. Suhail Sawan, assistant general manager for hospital management in the Western Province, told *Saudi Business* that under the contract, two major studies are being conducted.

Under the first, two persons (an Irish consultant and Dr. Sawan) are visiting government hospitals to study their administration, structure, and operation. They are investigating manpower problems, materials, supplies, equipment, and the maintenance, operational, training, and emergency systems.

The two-man team is also studying support services such as catering, cleaning, laundry, central sterilization, pharmacy, and fire-protection systems. They are viewing closely blood utilization, antibiotic usage, infection controls, and medical and patient libraries in hospitals.

Dr. Sawan predicted that government hospitals will undergo revolutionary changes in the coming year. "You will see a lot of changes. Equipment which is laying idle will be working, hospitals will be much cleaner, services will improve, and things will change for the better," he added.

Dr. Sawan said that most state hospitals are now overcrowded. "Obviously, they cannot refuse any patients who come to the hospital." In some hospitals, he added, "medical instruments are either badly handled or not used at all. In some hospitals, equipment is idle because of the need for repairs or skilled personnel. Dr.

Sawan said that after visiting the 16 government hospitals in the Province, the team will suggest ways to upgrade them to prevailing international standards.

The second project under the Saudi Consulting House contract is to inspect equipment. A two-man team (a biomedical engineer from Sweden and a Saudi medical officer) will visit all government hospitals in the province to inspect inventory, maintenance, and the distribution of materials. ◇

LOCAL MANUFACTURERS FACING FIERCE COMPETITION

Jiddah SAUDI BUSINESS & ARAB ECONOMIC REPORT in English No 2, 30 Apr 83 pp 22-25

[Text]



Saudi Arabia's struggling young industries are growing up in tough surroundings. An oasis of growth in the recessionary world economy, the Kingdom is on nearly every exporter's target list. Order-starved foreign manufacturers are creating a fiercely competitive marketing climate, and domestic manufacturers are feeling the pinch. The recession is compounding the normal growing pains that infant industries face.

Ironically, the rate at which these industries are springing up is terrific. According to the most recent figures released by the Ministry of Industry and Electricity, there were 1,373 factories in the Kingdom in 1981, representing an increase of 116 percent over 1976. These factories had a total workforce of 150,281 and investments worth over SR101 billion. The number of factories licensed — as opposed to operating — by the end of last year was 2,482, an increase of 267 over 1981.

Industrial cities now dot the map of the Kingdom. Plans for the establishment of four more, to be located in Madinah, Al-Jouf, Hail and Asir, recently were announced. Design work

for Makkah Industrial City also is being done, and expansion of some of the existing industrial estates in Jeddah, Dammam, Qasim and Hofuf is under way.

The Saudi government has provided for almost all the needs of the industries at virtually no cost. For example, a square meter of land in these industrial cities costs just SR0.08 a year. So, a factory occupying an area of 4,500 square meters pays a token annual rent of SR360. Also, these cities are provided with a complete infrastructure consisting of electricity, telephones, telexes, water, drainage, roads, hospitals, banks and mosques at negligible costs.

An office of the Ministry of Industry and Electricity is available to help the industries in each city. Also at their disposal is the Saudi Industrial Development Fund (SIDF), which was established in 1974 with a capital of SR500 million. It provides interest-free loans to these industries to finance up to 50 percent of their investments. In its first year of operation, the SIDF doled out SR200 million, and four years later it had given out SR5 billion after its capital was increased tenfold.

Despite this array of support, the private manufacturing industry has not witnessed the smooth takeoff it probably expected. Several factories, including a dry cell battery firm and a rope making venture in Jeddah, recently closed, and many more are sitting on the

edge. The hesitancy of investors is illustrated by the huge discrepancy between the number of licenses issued and the number of factories set up. While the average profitability of Saudi factories appears to be reasonably good, industrialists say that more than half are just breaking even. "Industry may be profitable in Saudi Arabia," said one prominent Jeddah industrialist, "but only just."

The number one problem is not to be found within the factories. "Our main problem is that of dumping. Because the Kingdom has money, many foreign producers sell here just to get foreign currency," said one factory manager. "They sell at any price. There are others, particularly from the West, who sell at a loss in order to save jobs back home. We can't compete with competition like that," he added.

When a ballpoint pen plant came on stream in Jeddah last year, foreign suppliers quickly slashed prices by as much as 50 percent in an effort to drive it out of business, according to Geosal Pen Industries Chairman Salem A. Baaboud. The firm recently filed a petition for import protection from the Ministry of Commerce. Milk, paint and barrel manufacturers, to name a few, say cut-rate foreign competition is stealing their markets.

The situation is made more critical for manufacturers whose products are faced with declining demand. Matches, for example, have become a victim of sophistication. "People are turning to lighters and electrical appliances," said Faisal Binzagr, managing director of the Binzagr Match Factory, the only one of its kind in the Kingdom.

The SR15 million factory produces 108 million boxes of matches annually, which it could easily increase. However, demand has been so sluggish that while the factory is licensed

to operate three shifts a day, it is sometimes unable to sell what it produces in one shift. Hans-Peter Struve, the factory manager, says the plant can take care of 80 percent of the Kingdom's needs, but foreign competitors have pushed that percentage down to less than 40.

Of the 3,000 tons of matches consumed in 1981, Binzagr produced 1,100 tons. A year before, 2,400 tons were consumed and only a third of it came from Binzagr. Plans for installing a new machine had to be shelved. Those plans have now been revived, but not because business has improved suddenly. "We have installed this machine to produce bookmatches to give us a larger area of flexibility," Struve said.

Dumping and foreign competition are not the only problems that are crippling domestic manufacturers. Saudi Arabia has very few raw materials and has to import almost all its needs. A big raw material potential exists for agricultural products, chemicals and plastics, but currently, the Kingdom has to depend on others. Binzagr believes that the lack of raw materials should not be a handicap.

"Japan is now an industrial state even if it has no raw materials. We can do the same by selecting those industries we can do better in, price-wise and quality-wise. There is no point producing something which we can get at a cheaper price from our neighbors," he said.

The scarcity of local manpower is also a continuous handicap for domestic industries. The entire staff of many factories is expatriate, which means high wages, transportation costs and benefits. The instability of foreign workers is an added disadvantage. "You spend six months training them and then shortly afterward they leave," lamented Abdul Gafar Jamjoom, part owner of Jamjoom Electrical Distribution Assemblies Co.,

which assembles electrical equipment in Jeddah. Such problems have prompted the SIDF to call for the promotion of capital-intensive instead of labor-intensive manufacturing.

Other Saudi industrialists are concerned with the caliber of the managers they have. Dr. Khaled Nahas, owner of two snack food factories in the Kingdom, states that "Management, I believe, is the number one problem in our industries. Saudi entrepreneurs are able to buy machinery and bring low-level manpower, but they always fail to bring good top and medium-level management. The magic touch that attracts top management appears to be absent here." From the 120 persons working in his factories, there is only one Saudi Arabian besides himself.

These hurdles in the path of advancement of private manufacturing have convinced some Saudi Arabians that the Kingdom should focus its efforts elsewhere, developing only carefully selected industries. "We don't have the labor, technical expertise or raw materials. Research staff which fully backs up the West is virtually nonexistent here. How can we succeed? I think we should concentrate our energy on agriculture and education," said Abdullah Khayat, a Jeddah businessman.

Other less pessimistic voices say that Saudi Arabia can and must build a viable manufacturing sector and that when recession in the West lifts, the pressure of dumping and cut-rate foreign competition will ease. But in the meantime, the going will be tough. Many industrialists are calling for stronger government action against dumping and more protective tariffs on imported goods.

Requests for tariff protection against "unfair" competition are dealt with by the Ministry of Commerce on a case-by-case basis. Generally, a duty will be imposed if domestic production can

meet a major part of demand and is competitive in quality and price. Roughly 40 Saudi products, ranging from ice cream to matches, paints and tiles, enjoy protective tariffs of 10 to 20 percent. Jeddah's Arabian Battery Co., which recently shut down because of competition from foreign dry cell batteries, was not among those granted import protection. An order approving a 20 percent tariff came into effect shortly after the plant ground to a halt.

But even the maximum allowable duty is not a magic cure. "I don't believe 20 percent is effective against countries seeking hard currency," said one industrialist. Others complain that since the duty is based on value, rather than weight or volume, importers can play with the vouchers and deliberately underestimate the imports' worth.

Saudi industrialists are often of two minds-when it comes to import duties. They may covet them, but remain philosophically committed to free trade. "Competition is a means of pushing me to improve the quality of products, to meet new technical advances," stresses Jamjoom. The government has been sparing in dispensing tariffs, believing that overprotection would weaken infant industries.

Potentially, the most effective protective arm of the government is Royal Decree 14, a 1977 edict that mandates, "Saudi products and manufactured goods are to be preferred over similar foreign goods as long as they serve the purpose for which they are needed, even if their quality is lower than that of foreign products." Interpretations of the decree by the Ministry of Industry require absolute preference for Saudi products in government purchases, provided that prices are reasonable, generally within 20 percent of their foreign equivalents. The decree has the advantage of providing Saudi manufacturers with a ready market base. Unlike import tariffs, this "Buy Saudi" policy does not

mean higher prices for the Saudi public.

Industrialists have nothing but praise for the decree, but find its implementation leaves something to be desired. Cost considerations and a lack of what one factory manager called "national consciousness" cause large orders to go to foreign suppliers. "We find marketing very difficult," says Jamjoom. "We have to fight contractors to get them to observe Royal Decree 14." Ministry control over procurement needs tightening, he added.

A rigorous quality control program is under way by the Saudi Arabian Standards Organization (SASO), one of the most advanced bodies of its type in the Third World. A SASO "quality mark" will soon be applied to all products meeting SASO specifications.

Many factories maintain laboratories to carry out frequent tests. The SR28.3 million Binzagr Co-Ro factory in Jeddah, which produces Sunquich, Suntop and other drinks, makes tests every 15 minutes on all its lines. A drop of each product is cultured on petri-dishes and incubated. After five days, if any bacteria is detected, the product does not leave the factory warehouse.

Saudi-Sicli Co., a Saudi-French manufacturer of fire extinguishers in Jeddah, conducts water pressure tests in which ready cylinders filled with water are subjected to pressure until they burst. If they do so under 24 kilograms of pressure, they are declared unfit. "When you are trying to establish a product, a small drop in quality could destroy you," one industrialist said.

In fact, few complaints are heard from consumers about the quality of local products. It is dumped goods that are more often a problem, even if they are attractive in price and appearance. "Over half of the dumped goods are inferior in quality," claimed Dr. Nahas. SASO is still building up its catalog of standards, which will eventually apply to all imported as well as domestically manufactured goods.

The question is not whether Saudi manufacturing will survive its infancy, but which industries will survive. Those with government clients will have an easier time because of Royal Decree 14; consumer goods manufacturers may have more trouble. An exception are those firms producing well-known brands under exclusive licenses from foreign firms. Binzagr Lever, for example, a joint venture between Abdullah Said Binzagr & Co. and Unilever Commonwealth Holdings Ltd. of Britain, has been quite successful selling famous-name toiletries such as Lux and Lifebouy soaps and Signal toothpaste. Although the firm says some of these brands still filter into the Kingdom, it can generally monopolize domestic demand.

Furthermore, since the licensor has a stake in the company, it is motivated to help by providing experienced personnel and discounts on raw material purchases. This contrasts with the fate of many joint ventures in which the foreign partner is more interested in selling equipment and know-how — a one-shot transfer of technology — than expanding sales. Such half-hearted partnerships are believed to lead to a number of industrial failures.

Import substitution is able to build on existing markets and resources of the foreign partner. But it does not always imply a substantial value-adding manufacturing activity within the country. Parts and materials may simply be imported from abroad and assembled in-Kingdom, with few technological or economic spin-offs.

Saudi Cable Co. is an example of a more sophisticated type of venture that has developed products specifically for the Saudi Arabian market and is securing local raw material sources. The firm has found a booming market in the Kingdom's electrification drive, for which it is, by law, the primary cable supplier. Sales have shot up from SR14.9 million in 1978, its first year of

operation, to a projected SR450 million this year. The firm intends to utilize nearby raw materials, vertically integrating into copper mining in Oman and aluminum smelting in Bahrain. A forthcoming PVC plant planned by SABIC will supply it with cable casings, and Saudi Cable President Omar Khalifati says that by 1990, most raw materials may be obtained locally.

Those companies with strong training programs also may have an edge. Even if wages are higher, a Saudi workforce is considered more stable, better adapted and less expensive to maintain in the long run.

Industrialists would like to see greater enforcement of government regulations, less red tape in applying for SIDF loans and more opportunities for export. One suggested that allowing Saudi manufacturers exclusive access to TV advertising would help get their message across. But most Saudi industrialists will have to depend on their own skill and stamina. "The manufacturing industries that will thrive are those that give a local touch to their products, have a transport advantage and know market timing," says Dr. Nahas. ◇

CSO: 4400/344

SPECULATION ON RESIGNATION OF SAMA GOVERNOR

London ARAB BANKING & FINANCE in English No 3, May 83 pp 16-20

[Text] Abdel-Aziz al-Quraishi's last public function as governor of SAMA was on 2 April at the opening ceremony of the Riyadh offices of The Saudi Investment Banking Corporation (SIBC). He chatted with The Chase Manhattan Bank's chairman Willard Butcher in a good-humoured gathering and received the key to Deposit Box Number One. Twelve days later he quit the Arab world's most powerful financial institution.

The US-educated, affable 52-year-old Al-Quraishi was regarded by many outside Saudi Arabia as the most important government figure in Saudi banking--the keeper of the keys to the kingdom's massive financial reserves. With most of the arguments about the shape of the 1983/84 budget apparently settled, few observing the SIBC opening that evening suspected that Al-Quraishi had already decided to resign the governorship.

The news was quietly broken to senior agency staff on the morning of 5 April. It was originally planned to make a public announcement on 14 April, after the details of the new budget had been released, but the news leaked out and the Jeddah Arabic daily OKAZ ran the story before the week was out.

Senior government officials appeared publicly to be embarrassed. With the eyes of the world focused on the kingdom's response to the depressed market for crude oil, the authorities need to appear publicly united behind the Finance Ministry's budget proposals. The "Okaz leak" provoked much speculation that a breach had opened up between Finance & National Economy

Minister Mohammad Ali Abalkhail and the head of one of the kingdom's most important financial agencies.

Officials tried to dispel such "ill-founded" speculation and Abalkhail smartly announced that Al-Quraishi would retain a role in government as a special adviser to the ministry. The fact that Al-Quraishi had made little secret in recent

years of his wish to leave public office and return to the hurly-burly of commercial life provided some substance to this version of the story. Says one SAMA adviser:

"Shaikh Abdel-Aziz has said to me more than once that he found the job put a lot of pressure on his family life because he had to travel between Jeddah and Riyadh so much."

Sources close to the agency confirm that there was, indeed, a major disagreement over the 1983/84 budget. "It was more than just a personnel change," says William Quandt of Brookings Institute, the Washington-based think-tank, reflecting the general view in the US capital. "There was a policy dispute to do with the judgement about how the reserves ought to be used – or not used."

The new April 1983/April 1984 budget estimates government revenue will only be SR35,000 million (\$10,000 million) less than the planned SR260,000 million (\$79,000 million) expenditure for the year. "Being a very conservative man, Al-Quraishi took a more pessimistic view about likely oil sales in 1983/84," one senior Saudi bank executive told ABF. Independent estimates suggest the deficit in 1983/84 could be as high as \$25,000 million, biting deep into the kingdom's foreign assets.

SAMA had been involved less than ever before in drafting the new budget. "The agency did not know what was going on," says a recent visitor to the agency. "I don't think they were briefed about what they were supposed to do. SAMA was never put in the picture. Al-Quraishi is a member of the Supreme Petroleum Council but this has hardly been meeting recently."

Senior American bankers with long-term interests in Saudi Arabia suggest that Abalkhail's reticence was one reason for Al-Quraishi's decision to leave. They argue that the former governor was not involved enough in planning, lacked information and that the present time was the appropriate moment to change the direction of his career.

Bankers' respect

Whatever the reason behind Al-Quraishi's resignation, the way it happened rocked the foreign banking community. "I think the timing of the departure was unfortunate and not very well handled. He should not have been allowed to go without a firm successor being named," commented one London banker closely involved with the Saudi market.

Al-Quraishi's resignation, effective on the first day of the new fiscal year, completes an extraordinary chapter in the affairs of the kingdom's central bank. He was only the

second governor in SAMA's 23-year history, taking over the job in 1974 at short notice after the death of Anwar Ali, a naturalised Saudi of Pakistani origin who was the driving force behind the banking Saudi-isation programme. Through a combination of hard work and relaxed charm, Al-Quraishi earned the respect of bankers both in the kingdom and abroad.

A London banker told ABF: "Al-Quraishi is a straight dealer. He got a lot of respect from people who dealt with him." Al-Quraishi became steadily more influential after becoming governor – an influence that grew as the foreign reserves of Saudi Arabia increased. Because these reserves are now probably destined to wane in importance, Al-Quraishi may have felt that this was the time to go. His spell at SAMA will be best remembered for this dramatic growth in foreign assets.

As Ramadan draws nearer (this year it starts in early June), speculation centres on who will take over Al-Quraishi's post. Hamad al-Sayari, vice-governor since 1980, has been appointed acting governor but several more candidates are also in the running. Some half-a-dozen leading figures in government and commerce are being talked of as "logical" successors to Al-Quraishi. But an early appointment is considered most unlikely by those who understand the kingdom's decision-making processes. As time goes on, it may be more difficult to place someone else above Al-Sayari, whether from inside or outside SAMA.

With the hard-working Al-Sayari as the obvious choice for governor, much attention is being paid abroad to his character and style. Comparisons are inevitably made with his former boss. "Al-Quraishi is more clubbable and affable," says one London banker. "He comes over as someone who is taking you into his confidence but is really telling you very little. Al-Sayari makes it quite clear he is telling you nothing." A US banker who worked with Al-Sayari at Saudi Industrial Development Fund (SIDF) in the 1970s agrees. "The outgoing governor was always relaxed in all sorts of company. He was at ease receiving visitors. Sayari does not have any problem in that respect but he is a bit more reserved."

There are some who question Al-Sayari's qualifications for the job. His experience, however, is impressive – particularly in handling domestic issues. A career civil servant, he has held senior positions in SIDF, the Finance Ministry and Public Investment Fund (which finances large industrial projects). As a member of SIBC's board in the 1970s, he gained experience and insight of the private

sector and as a Saudi representative to The World Bank he also acquired first-hand understanding of the international perspective. But Al-Sayari's major advantage over his rivals is his close relationship with Abalkhail, who plucked him out of SIDF in the 1970s to take up a key post in SAMA before assuming the vice-governorship over the more experienced Ahmad Abdel-Latif

However, deputy governor Abdel-Latif may yet achieve advancement – even if Al-Sayari's position is ratified. Abdel-Latif is said to have set his sights on the

vice-governorship, a post of considerable political weight as it is made by royal appointment. The deputy governorship, on the other hand, is an internal appointment, created especially for Abdel-Latif when Al-Sayari was made vice-governor in spring 1980.

Abdel-Latif is the choice of a number of Saudi commercial bankers for the top job. As one told ABF: "He is one of the few men in Jeddah who does not have an enemy." As director of SAMA's foreign investments, Abdel-Latif played a crucial role in SAMA but it may not have been enough to satisfy his ambitions or stretch his abilities. His appointment as managing director of Riyadh Bank in 1982 (see page 4) was widely thought to be the start of a slow disengagement from the agency's affairs.

Rising star

A name being mentioned more frequently as a rising star is Ahmad al-Malik, the tough director of SAMA's foreign department. He was appointed to the agency in 1981 from the Defence & Aviation Ministry, where he had gained prominence as head of the foreign contracts department for nine years. "All the bigger arms contracts were processed by him and he personally negotiated every one," says an executive at a leading Jeddah bank. Al-Malik has the rank of brigadier-general and is known to be very close to the Defence Minister. "He is Prince Sultan's man of integrity," comments one well-informed observer of the Saudi scene.

The implications of Al-Malik's possible promotion are far-reaching. Although he personally respected Michael Baring, one of Baring Brothers & Company's former representatives at SAMA, Al-Malik is known to have fresh ideas on the role of such foreign advisers within the agency, in line with policy elsewhere in Saudi government. Pressure may grow to change the relationship with foreign advisers, to introduce a policy of direct appointment. One indication of this was SAMA's move in recruiting Leonard Ingrams from Barings in 1981. The likelihood of Al-Malik becoming deputy governor if Al-Sayari succeeds Al-Quraishi is faint. There is no ambiguity about how he handles his own staff. One

London banker told ABE: "Al-Malik rules with a rod of iron but the two men [Al-Malik and Al-Sayari] have a somewhat distant relationship."

Axis of power

The other "candidates" are really outsiders and are given long odds by informed and reliable sources in the kingdom. They include Yusuf Nimatallah, Saudi Ara-

bia's IMF executive director; Mahsoun Jalal, chairman of the new United Saudi Commercial Bank; and Mansour al-Turki, former Deputy Finance Minister and the respected and energetic president of Riyadh's King Saud University. Al-Turki, however, is said to be adamant that he will seek no change in his status as the "father" of King Saud University until the project is finished in the mid-1980s.

Others mentioned include Khaled al-Gosaibi, a government representative on the boards of both Riyadh Bank and the London-based consortium Saudi International Bank. He retired as vice-governor of SAMA in spring 1980 but could be appointed governor as an interim measure until a longer-term candidate is chosen.

Whoever is appointed to head SAMA, it is most unlikely to be a member of the royal family. Several aspects of the kingdom's financial management are now becoming easier to discern. The downturn in national revenues is steadily shifting more power to the agencies responsible for the allocation of resources. This is

certainly true of the Finance Ministry, which now has representatives in every spending department monitoring all disbursements. Abalkhail has direct access to King Fahd and can make decisions on all aspects of economic policy-making and implementation. With the resignation of Al-Quraishi, Abalkhail is poised to tighten his grip on SAMA's operations and harden his influence over the agency's strategic determinations.

Abalkhail, however, has said publicly that the change of governorship at SAMA will not change the direction of the kingdom's monetary, financial or investment policy. It is now very clear that, whoever gets to sit in Al-Quraishi's cool, modernised penthouse suite at SAMA, the axis of power has shifted significantly a mile or so down Airport Road to the functional headquarters of the Finance Ministry. □

ABDEL-AZIZ AL-QURAISHI

Born in Hail, Al-Quraishi has spent most of his career in government service. He was general manager of Saudi Government Railroads Organisation for most of the 1960s and joined the general personnel bureau in 1968. Identified by King Faisal as a highflyer, he was appointed Minister of State in 1971, then governor of SAMA in 1974 after the death of Anwar Ali, the father of Saudi Arabian central banking.

His most important international post is as Saudi governor at the IMF. He studied in the US to complete his education and has an MBA from University of Southern California.

HAMAD SAUD AL-SAYARI

A leading member of a group of senior economic policy-making officials originating from Qassim province, Al-Sayari was born in the village of Dhairma in 1941. He completed his education at University of Maryland, earning an MA (Econ) in 1971. He entered government service in 1962 but only began to enter the limelight in the early 1970s.

His most important taste of the private sector came in 1976 when he joined the board of Saudi Investment Banking Corporation. In 1978 he was elected chairman of the board while Mahsoun Jalal spent a year on the board of executive directors of the IMF representing the kingdom. Al-Sayari resigned from the board on joining SAMA.

AHMAD ABDEL-LATIF

Abdel-Latif is the longest-serving of SAMA's senior officers. Born in Jeddah in 1935 and descended from a Far East haji who stayed in the kingdom, he joined the agency in the early 1950s soon after it was founded. In 1957 he graduated in economics from University of Cairo and has had additional training with the IMF and commercial banks in India and the US.

His career in SAMA has developed gradually: he was the first banking controller and then director of the banking control department, a post now occupied by Omar Abdullah Sajeiny. When Al-Sayari took the vice-governorship, Abdel-Latif was appointed deputy governor by Al-Quraishi.

MAHSOUN JALAL

The ubiquitous chairman of Saudi Arabia's newest commercial bank, United Saudi Commercial Bank (USCB), Jalal is considered an outsider for the top post. Born in 1936, he studied at University of Cairo and was awarded a doctorate in economics from University of California. Much of his early career at Riyadh University, another nursery for top Saudi officials. He was professor of economics from 1967 to 1975, when he was appointed vice-chairman and managing director of Saudi Fund for Development.

Other government posts in the 1970s included director of Saudi Basic Industries Corporation and member of the civil service council. His growing interest in private business started with his membership of the board of Saudi Investment Banking Corporation until April 1982, when he resigned to take over the helm of USCB.

YUSUF NIMATALLAH

Saudi Arabia's executive director at the IMF is the only one of the candidates for the governorship with experience of the private sector early in his career. At the age of 16 he joined France's Banque de l'Indochine, one of the first foreign banks with a full branch in the kingdom. Five years later, in 1957, he pursued his higher education at American University of Beirut and then at Massachusetts University.

Returning to the kingdom in 1965, he was appointed professor of monetary and international economics and started working as adviser to the finance minister. After leaving the university in 1973 Nimatallah spent two years as deputy chairman and president of Central Bank of Oman. He was made Saudi Arabia's alternate executive IMF director in 1979, taking over the job full time in 1981.

A sophisticated economics specialist, Nimatallah would be comfortable

dealing with top bankers and foreign finance ministers, but is considered a little out of touch with developments in the kingdom. He would also be reluctant to leave the US.

MANSOUR AL-TURKI

The 40-year-old president of King Saud University is frequently mentioned as a man destined to occupy a senior post in government. With a doctorate in economics from Colorado State University, he joined the Finance Ministry as an adviser in 1973, rising to deputy minister a year later.

Al-Turki has held his present post since 1979 and much of his energy has been devoted to managing the construction of the massive new university campus near Diriyah. These are among the reasons why Al-Turki is considered an outside candidate for the governorship. But his concentration on academic matters may rule him out of the running.

CONSTRUCTION SURGE BOOSTS BRICK PLANT

Jiddah SAUDI BUSINESS & ARAB ECONOMIC REPORT in English No 2, 30 Apr 83 p 11

[Article by Alfred Taban]

[Text] The largest red brick manufacturer in the Western Region, Al Khayyat Red Brick Factory, is planning to add another plant to its existing two. The Italian-built plant will produce 100,000 tons of bricks annually, starting early next year.

"The plant will produce hordy bricks which are used for ceilings," according to Sheikh Taha Al Khayyat, owner of the factory. Al Khayyat said the bricks will be 26 centimeters thick instead of the usual 12 cm, to improve insulation against weather and noise.

The new plant will bring Al Khayyat's annual production to 280,000 tons, an increase of 500 percent since 1977.

The firm has witnessed rapid progress. It started production in 1977, less than two years after it was licensed. With its first plant, the company was producing 60,000 tons per year. An expansion program in that first year increased production to 90,000 tons a year. In early 1978, the second plant was completed and production doubled. The need for more red bricks continued to rise, and Al Khayyat considered importing another plant. "Many people used to erect makeshift houses for their employees using cement blocks and pre-fabricated materials. Now, however, many Saudis are erecting homes and villas for themselves and need more durable materials. That is why we cannot

keep up with demand," Al Khayyat said. Currently, Al Khayyat's customers have to wait 15 days for delivery.

According to the company, there has been a surge in the construction of residential and office buildings in the past five months. Muhammad Nasser, financial manager of the company, commented, "Since last November, when the government decided to decontrol rents and allow market forces to decide them, more Saudis have been involved in erecting buildings."

Located 28 kilometers from Jeddah, Al Khayyat gets its clay from the nearby agricultural area of Wadi Fatima. It has the stones, roots, and any other hard materials removed from the clay before conveying it to a mixer. The resultant water and clay substance is then made into different shapes and sizes by a machine. A hot-air pressure kiln with temperatures ranging between 700 and 1,000 degrees centigrade, reduces the weight of the bricks by 50 percent and solidifies them. The factory operates three shifts with one shift reserved for maintenance.

Situated between Jeddah and Makkah, Al Khayyat has found little difficulty in transporting its product to market centers. It closed its offices in Madinah and Yanbu because transport costs had caused its prices in the two cities to be uncompetitive.

Al Khayyat's annual turnover has soared from approximately SR7 million in 1977 to a projected SR42 million in 1983. The new plant brings total investment in the factory to SR120 million, with the Saudi Industrial Development Fund lending the company SR58 million since 1977. ◇

CSO: 4400/344

MASSIVE SUPPORT FOR REVOLUTION CLAIMED

Kabul NEW TIMES in English 11 May 83 p 2

[Text] The government of the Democratic Republic of Afghanistan has made great strides to prepare grounds for the prosperity and happiness of the people of the country.

The positive changes which have been brought about in our beloved country Afghanistan since the victory of the Saur Revolution especially its new and evolutionary phase are perceived and supported by the vast industrious masses of various tribes and nationalities living in Afghanistan. These changes have found expression in the consolidation of the people's government, economic development, implementation of land and water reforms and maintaining of law and order in the homeland.

A great number of people, coming from different tribes, sects and nationalities, have been organised in the broad National Fatherland Front and social organisations. The meetings of representatives of the people living in different provinces of the country with Babrak Karmal, the General Secretary of the CC of the PDPA and President of the PDPA and other party and state leaders are clear manifestation of the great support which the toiling people of Afghanistan give to their fully established popular regime.

The return of deceived compatriots and their joining with the armed groups fighting against counterrevolutionaries in defence of the gains of the Saur Revolution is increasing day by day.

The general amnesty decree issued by the Revolutionary Council of the Democratic Republic of Afghanistan has opened the way for all those deceived compatriots who would like to return to their homes in their beloved country Afghanistan.

The government guarantees, in accordance with the provisions of the general amnesty decree of the RC of the Democratic Republic of Afghanistan, the safely return of the deceived compatriots in Afghanistan. They will be free to select their place of residence and their occupation. Their equal rights will be ensured and guaranteed. They are given every opportunity to take part in the political and public activities going on in Afghanistan.

The Government of the Democratic Republic of Afghanistan is doing everything possible in the interest of the industrious people of Afghanistan in a bid to raise their standard of living and make life happy and prosperous for them.

In practice the government has provided many facilities to the workers, and peasants. Right now we witness that changes have been introduced in various spheres of their social and economic life. The workers and toilers enjoy good income and fringe benefits. Peasants and agricultural workers have been given land to cultivate it in their own benefit.

To promote the cause of peace, justice and social progress the DRA government has adopted important measures. It has supported all voices directed at ensuring peace and social progress and national liberation movements. Our government is fully willing to live in peace and tranquility with the neighbouring countries of Afghanistan. Maintaining peace and security in the region and the world at large constitutes the prime objective of the foreign policy of the DRA government. With all these measures there is every reason to voice hope that support for the DRA government and revolutionary regime will grow further.

CSO: 4600/654

LAND REFORM PROGRAM EXAMINED

Kabul NEW TIMES in English 10 May 83 p 2

[Text] The implementation of the second phase of the Land Reforms Programme of the Democratic Republic of Afghanistan is continuing in different provinces of the country. The accomplishment of a democratic and just land and water reforms programme is one of the main and basic objectives of the progressive policy of the People's Democratic Party of Afghanistan and the Revolutionary Government.

It has to be admitted that the first phase of the democratic land reforms programme was carried out under circumstances when no sufficient preparations had been made before the programme was put into effect.

This resulted in a number of mistakes and errors.

It is of course a cardinal fact that the main purpose of the just and democratic land reforms programme undertaken after the victory of the Saur Revolution especially its new and evolutionary phase is to supply land to the land less and petty land holders and to enable them to cultivate their own land in the benefit of their own families.

Under this programme no opportunity will be given any more to a few big landowners and landlords to exploit the labour of the farmers and peasants who work on land. Under the land reforms programme it is expected that thousands of thousands of hectares of arable land will be brought under cultivation and thus the level of agricultural production will be raised to a considerable degree. Great hopes are pinned on the democratic land and water reforms programme for the raising of the standard of living of peasants who constitute the majority of the population of Afghanistan.

During the times of the previous exploitative and oppressive regimes it was the peasants and agricultural workers who suffered most under the feudal and prefeudal relations prevailing all over the country. In the rural areas most of the farmers were tenant farmers. They paid the cost of the cultivation themselves and then 75 or 80 percent of the crops went to the pocket of the landlords and owners of large lands, who spent the income they received from the hard working peasants aimlessly without making any contribution to the productivity of their lands.

The peasants and agricultural workers had only the value of about ten percent of the crops left over after expenses. The absolute majority of peasants and farmers either leased or worked on the lands of landowners who did not want to take the trouble of cultivating their lands. Aside from the unfair tenancy terms and exploitative land holding system, farmers and peasants were at the mercy of usurers and moneylenders. Labour was plentiful but production did not grow to contribute towards the growth of national economy.

After the victory of the Saur Revolution the land reforms programme was drawn with the object to put an end to the land exploitative system working under feudal and prefeudal conditions.

Surplus land was taken from the big land owners and landlords and distributed to the landless and petty land holders with the main object to help agricultural production rise considerably and to introduce and ensure social justice among our farming population.

The implementation of the second phase of the land and water reforms programmes will continue under four operational plans on the basis of the joint resolution of the Politburo of the Central Committee of the People's Democratic Party of Afghanistan and the Council of Ministers of the DRA.

Under the first operation plan prior to the implementation of land reforms programme a survey is carried out in the respective provinces, counties, sub-counties and villagers on land distributed, quality of land, water rights, the present conditions of land, land ownership documents, landowners holding surplus land, abandoned land and distributable land. This plan is being carried out in different provinces of the country.

Under the second operational plan attempt is made to distribute land ownership documents to the peasants receiving land under the land reforms programme, to handle legally land holding and water right disputes and to manage land holding affairs properly.

Under the third operational plan which is an important phase of the land reforms programme material and technical assistance are extended to the peasants and land holders. Peasants are encouraged to get organised in agricultural cooperatives with the object to raise productions and their own standard of living.

Under the fourth operational plan efforts will be made to carry out constructional and irrigational work such as repairing roads, bridges, and building schools, and other public projects which can contribute to the consolidation of the infrastructural system of the rural areas.

So far around 300,000 families have received land under the democratic land reforms programme. The party and government are doing their best to solve the problem of land reforms and to implement the land reforms programme effectively in the interest of the peasants and farmers on the one hand and in the benefit of the higher agricultural production on the other. The land reforms programme is being carried out by land reform personnel who are trained before going to various provinces.

CSO: 4600/654

SPREAD OF TRADE UNIONS SURVEYED

Kabul NEW TIMES in English 14 May 83 p 3

[Text] "As many as 163,000 workers, employees and wage earners of state, institutions throughout the country are organised at the Trade Unions of the Democratic Republic of Afghanistan."

This was stated by a source of the Central Council of the Trade Unions of the DRA in an interview with the reporter of the Kabul NEW TIMES. The source added that the trade unions of the DRA, by organising different stratas of the masses in the centre as well as in the provinces of the country on the basis of its principled guidelines and its humanitarian policy exerts all efforts to provide its members with the required facilities and opportunities to improve their working and living conditions. Sincere efforts are also being made so that the difficulties faced by our working and toiling stratas are solved and the grounds are prepared for their further development and raising the level of their technical knowledge for ensuring higher productivity.

The Trade Unions of the DRA since its establishment have been able to implement some of its development plans for improving the lot of the working people including creation of rest places, consumer and essential goods canteens, arranging of trips of workers within the country as well as to foreign friendly countries for carrying out useful programmes, each of which has been of significant importance and has a great extent won the appreciation of the members of the trade unions.

The Trade Unions of the DRA have been able to absorb over 163,000 toiling workers and employees in its different organizational set up within a short time. This is a good proof of its strivings and it makes us hopeful for the speedy growth and development of the trade unions.

At present, Trade Unions are active almost in all state institutions and organisations in the capital as well as in provinces. Currently, there are 290 provincial councils, one district council in Khost district, and the Kabul city council covering around 1300 primary organisations, as many as 820 sectional organisations, and 2350 group organisations altogether function under the direct supervision and administration of the Trade Unions of the DRA. All these organisations perform their assigned activities satisfactorily and so far they have been of valuable service to the toilers and workers of the country.

In response to a question, the source added, the Trade Unions of the DRA in order to strengthen the physical and mental power of workers, have opened rest places at the Paghman district of Kabul province and in the Jalalabad City of Nangarhar province. In the course of two years around 725 toilers including the children of Watan Nursery and the pioneers, have made use of these facilities in the two rest places.

It should be added that these rest places are equipped with all the needed facilities such as modern kitchen, modern bedrooms, library, saloons, sports grounds, television sets, and green gardens and other entertaining facilities.

Likewise, during the rest time special programmes have also been arranged for the toilers who are afforded the opportunity to visit some cultural places, historic sites, meeting with state and party personalities and social figures and exchanges views with them.

The source added that during the year 1361 (HS) around 116 members of the union have been sent to the friendly countries for taking rest and observation and as much as 1200 children of workers were sent to the friendly country of the Soviet Union for taking rest and observe the development of the people of that country. Besides this, the Trade Unions of the DRA have exerted efforts to provide the workers with certain facilities within the work places through opening canteens, and stores which provide consumer commodities on easy terms to the workers. Likewise, 22 child rooms, 18 rooms for exchange of views for women workers, 18 cinema machines, and other cultural and entertaining facilities have been provided to different productive institutions.

The Trade Unions of the DRA also contribute to and take an active part in the literacy programme of the state, and currently helps 193 literacy courses in which as many as 38082 persons are organised.

The source of the union at the end said that the Trade Unions of the DRA intends to publish large posters and post them in different parts of the city. It also intends to complete the 12-metre statue of the worker and to organise large meetings and voluntary work during the current year.

CSO: 4600/654

BAKHTAR NEW AGENCY'S PROGRESS REPORTED

Kabul NEW TIMES in English 12 May 83 p 1

[Text]

KABUL, May 12 (Bakhtar).— Bakhtar Information Agency has transmitted 57,146 items comprising 40 million words inside and outside the country in the last Afghan year (ended on March 20, 1983). The news items consisted of national and international news, interviews, messages and others.

Of these news items, over 23,455 of them were illustrated with photos and pictures.

After the new phase of the April Revolution, Bakhtar Information Agency has been equipped with new machines and accessories such as telewriter machines and photography equipments. BIA was detached from the then Ministry of Information and Culture in 1361 (HS) and was reorganized as the State Committee of Bakhtar Information Agency under the Council of Ministers of the DRA.

The new organisation of BIA consists of the departments for internal news, department of foreign information and international

news, the technical and administration department and Pushtu department. The department of international information has prepared and published over 12,000 news items through mass media of the country. Photography and reference branches come under the internal department.

The department for foreign informations of BIA has received over 26,000 news items comprising over two million words from foreign news agencies and after translating them into national languages have imparted them to the public through mass media.

General directorate of international news is an important branch which transmit in English domestic news items, the main speeches of the party and state leaders, the political commentary and other major socio-economic events occurring in Afghanistan to 28 countries of the world in the continents of Asia, Europe and Africa.

Monitoring branch monitors the foreign news from the international radios.

Apart from the administration section, there are 96 vocational personnel which are responsible to run the agency.

CSO: 4600/654

BRIEFS

ARREST OF RESISTANCE GROUP REPORTED--Kabul, May 11, (Bakhtar).--All members of the central nucleus of the so-called organisation of "Afghan Melat" who were operating against the interests of the people and revolution were arrested by the security forces of the DRA. Sufficient documents were obtained from them and they have confessed to their counter-revolutionary activities and exposed that the so called "Afghan Melat" organisation had linkages with other counter-revolutionary bands. They exposed that two leaders of their band live in Pakistan now and were spies of the United States and Britain. The central nucleus of "Afghan Melat" declared the dissolution of their band after their arrest. [Text] [Kabul NEW TIMES in English 11 May 83 p 1]

TRIBAL CONSULTATIVE JIRGAH MEETS--Kabul, May 16 (Bakhtar).--The Tribal Consultative Council of Jaghory of Ghazni province with the participation of a large number of elders and religious people and representatives of that province was convened on May 12th in the Ministry of Tribal and Nationalities Affairs expressed support for the principled policy of the party and the revolutionary government. During this meeting the deputy minister of the Ministry of Tribal and Nationalities Affairs talked with regard to the equality of rights of all the nationalities that reside in Afghanistan. [Text] [Kabul NEW TIMES in English 16 May 83 p 1]

FOREIGN TRADE STATISTICS--Kabul, May 16 (Bakhtar).--Haqiqate Enqelabe Saur, carries an article on foreign trade in Afghanistan which reads in part: Foreign trade of DRA amounted to 1276.4 million dollars in 1361 HS (ended on March 20, 1983). From this, 677.21 million dollars constituted the value of exports and 599.21 million dollars the value of imports. Foreign trade circulation in 1362 (HS) is estimated at 1371 million dollars which is higher by 95 million dollars or 7 percent as compared with the preceding year. The total volume of exports are estimated at 700 million dollars in 1362 (HS) whereas it was 677 million dollars last year indicating an increase of 3.5 percent as compared with the preceding year. The composition of foreign trade in 1362 (HS) is organised in such a way that Afghanistan will enjoy a favourable balance of trade by 29 million dollars. [Text] [Kabul NEW TIMES in English 16 May 83 p 1]

CSO: 4600/654

TUDEH LEADERS' ARREST VIEWED AS 'DECISIVE TURNING POINT'

Paris LE MONDE in French 6 May 83 p 1

/Text/ "God, we thank thee for thy favors. Our young anonymous soldiers have arrested the leaders of the Tudeh party who were engaged in hypocritical activities to overthrow Islam. This miracle could only have taken place with Allah's aid." It was in these terms that Imam Khomeyni on Wednesday greeted state prosecutor Tabrizi's decision officially to dissolve the Tudeh party, already dismantled by the arrest of its leaders and the witches' hunt unleashed against its militants and sympathizers. From now on, these latter will be systematically and mercilessly hunted down to fill our forms unless they present themselves to the authorities "armed with two copies of their identification card and two photos."

Imam Khomeyni has thus placed under the sign of religion a decision which is above all a political one. The expulsion of 18 Soviet diplomats stationed in Iran--nearly half the total strength of the embassy--marks a decisive turning point in the domestic and foreign policy of the young Islamic Republic. These expulsions closely followed the spectacular "televised confessions" dragged out of the Tudeh leaders who, denying their long militant past, claimed to be simply spies working for Moscow.

On the domestic front, the famous "Imam's line," which implied the deepening and pursuit of the revolution in the social domain, has been thrown out the window. For a certain time, the leader of the revolution had seemed to hesitate between the requests of some of his partisans--among whom were the Tudeh leaders--who were demanding a second revolution, social this time, and the requests of the fundamentalist clergy. These latter, allied with the bazaris who profited materially from the revolution, demanded that the communist party be outlawed and that a more pronounced anti-Soviet policy be adopted. It is significant that one of the charges held against the Tudeh by the office of the public prosecutor of the revolution is that of stirring up "trouble in the factories and the centers of production."

The Iranian revolution, "wiser" and having trouble normalizing, could put up with the permanent revolution and the class struggle advocated by the Tudeh and certain progressive Islamic leaders only with difficulty.

On the foreign front, the deterioration of relations with Moscow was already evident. The Islamic leaders of Teheran, for historic and religious reasons,

have never happily accepted rapprochement with the Soviets which had been imposed on them by US hostility toward their revolution. In the head of the crisis provoked by the taking of hostages at the American embassy, Imam Khomeyni refused to give in to the partisans of greater political and economic coordination with the USSR in order to face up to the embargo decreed by Washington. Afterwards, relations with Moscow became progressively more strained under pressure from anti-Soviet elements of the clergy who were becoming more and more influential within the regime.

The straw that apparently broke the camel's back was Moscow's recent decision to resume arms shipments to Iraq. The pursuit of the war against Baghdad, condemned simultaneously by the Soviets and by Iranian communists, has therefore played just as decisive a role in the reinforcement of the positions of the extreme Moslem right in Teheran as in the accelerated deterioration relations between the Kremlin and the Islamic Republic.

9895

CSO: 4619/64

NEPAL-PAKISTAN TRADE EXAMINED

Kathmandu THE RISING NEPAL in English 14 May 83 p 3

[Text] Nepal-Pakistan relations have been developing steadily ever since the establishment of diplomatic ties between them in 1960, marked from time to time by exchange of visits at different levels. But, Nepal-Pakistan trade has not developed at the same speed as their bilateral relations on other fronts have. A trade agreement between the two countries was signed in 1962 to boost mutual trade. This rather limited state of trade between Nepal and Pakistan has been attributed mainly to transport and transit difficulties. Even this small volume of trade has not shown a steady, though slow, increase. Rather fluctuations mostly in the negative direction can be discerned. An Analysis of Trade Promotion Centre figures (and percentages) for Nepal-Pakistan trade over the past few years is revealing.

During fiscal year

1976/77, Nepal exported to Pakistan goods worth Rs. 0.15 million and imported Rs. 19,000 worth of goods. This was so paltry a turnover of bilateral trade that it represented virtually zero percentage on Nepal's total overseas export-import trade, not to speak of that of Pakistan whose economy is many times bigger than that of Nepal. The year 1977/78, however, saw both exports to and imports from Pakistan pick up, with exports totalling 9.6 million rupees and imports amounting to 4.9 million rupees. These export-import figures represented 1.60% and 0.45% on Nepal's total overseas export and import trade respectively. In the

year 1978/79, Nepalese exports to Pakistan registered a hefty jump to 53.2 million rupees (to 6.26% of our total overseas export trade) whereas imports from that country came down to Rs. 4.6 million (to 0.32% of our total overseas imports). In 1979/80, Nepalese exports to Pakistan declined to 43.4 million rupees (to 5.56%), and imports also slumped to 0.4 million rupees (to 0.02%). The year 1980/81 recorded a further decline in bilateral trade between the two countries. Exports plummeted to 14.7 million rupees (to 2.4%) and imports fell to 0.3 million rupees (to 0.01%).

The above data show that Nepal-Pakistan bilateral trade has been

windling over the years on both export and import fronts. Also, the terms of trade have been heavily in Nepal's favour.

Nepal's export items to Pakistan comprised catechu, jute bags, large cardamom, fresh ginger, raw jute, jute cuts, rope, and medicinal herbs. Imports consisted of motor cycle and parts, medicine, thread, personal goods, raw cotton, and machinery and parts.

The 1962 trade agreement was updated on July 28, 1982 to bolster bilateral trade. The new agreement provides that: Pakistan and Nepal will accord most favored nation treatment to each other in matters of customs duties, taxes, fees, and other charges on exports

and imports between them, both countries will encourage visits of businessmen and trade delegations and help in holding trade and exhibitions; Pakistan will allow Nepal to use warehouse facilities at Karachi port and airport for moving Nepalese goods to the interior of Pakistan as well as for trade with a third country; both sides will explore possibilities of operating cargo flights to lift high value cargo.

Desirous of institutionalising Nepal-Pakistan economic cooperation, including trade, the two countries, during Prime Minister Surya Bahadur Thapa's three-day official visit to Pakistan in February, agreed in principle to set up a Joint Economic Commission. The forthcoming state visit of Pakistan President Zia-ul-Haq starting May 24 could provide an occasion for its formal institution.

Nepal and Pakistan have recently been connected by the biweekly Karachi-Kathmandu PIA air link in pursuance of an air agreement signed in Kathmandu on March 18. Similarly, RNAC is expected to operate its air service to Dubai via Karachi from October this year. Significantly it will be permitted, under the agreement, to pick up both cargo and passengers from Karachi.

Thus, the updated trade agreement, and the recent operation of air services between the two countries can be reasonably expected to

give a boost to Nepal-Pakistan trade. As Pakistan can serve as a spring-board for Nepal to the Middle East, this can even help to expand trade with Middle Eastern countries, thus promoting trade diversification, if only marginally to begin with.

CSO: 4600/655

DECISION TO PROMOTE COTTAGE INDUSTRIES

Kathmandu THE RISING NEPAL in English 10 May 83 p 1

[Text]

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CSO: 4600/655

SAUDI LOAN FOR HIGHWAY, COOPERATION APPRECIATED

Kathmandu THE RISING NEPAL in English 13 May 83 p 2

[Text] The signing of a 441 million rupee loan agreement between His Majesty's Government and the Saudi Fund for Development in Kathmandu on Wednesday marks the start of meaningful economic cooperation between the two kingdoms. The loan which is repayable in 25 years, including a grace period of 5 years, and carries an interest of 2 percent per annum will help to finance the construction of the 109 kilometres portion of the 204 kilometre long Kohalpur-Mahakali highway. The road connects far western Nepal, considered to be the least developed part of the country, with the rest of the Kingdom through the Mahendra Highway. The construction of the 1030 kilometres long Mahendra Highway has been virtually completed upto Kohalpur. The Mahendra Highway which has facilitated the movement of people and materials from one part of the Kingdom to another is a story of cooperation between Nepal and other friendly countries. Those helping to construct the Highway are India (507 kilometres), the Soviet Union (109 kilometres), Great Britain (113 kilometres) and Nepal, with the cooperation of multilateral agencies (104 kilometres) has constructed the portion from Patalaiya to Narayanghat which is about 100 kilometres long. The Mahendra Highway has been playing a major role not only in expediting developmental projects in different parts of the country, but, even more importantly helping in national integration and easy movement of people and goods within the country.

Apart from the considerable importance of the road itself, the Saudi loan is significant in that, as was pointed out in the press release issued by the Saudi Fund, it marks the start of the Fund's operations in Nepal. Indeed, speaking at the agreement signing ceremony, the Vice Chairman and Managing Director of the Fund, Mohammad A. Alsugair, noted that the Fund had committed a further 25 million dollars for financing the Marsyangdi Hydroelectric project in Western Nepal. His remarks that Saudi Arabia was aware of His Majesty's Government efforts to harness the Kingdom's water resources is encouraging and does suggest that Saudi Arabia could possibly consider financing other projects in the future. The Finance Minister, Dr. Yadav Prasad Pant, who also spoke on the occasion, rightly pointed to agriculture as the mainstay of the Nepalese economy and stressed the importance of the role of water resources, specially irrigation, in raising the agricultural production. Hence, the need for liberal assistance from generous donors.

One of the main points stressed at the agreement signing ceremony was the cordial and friendly relations between Nepal and Saudi Arabia which made the loan agreement possible. Indeed, the friendly relations between the two kingdoms had never looked back ever since the establishment of diplomatic relations in 1977. The loans agreement can be said to have further enhanced this relationship and opened the way for even more meaningful contacts between the two kingdom's in the future.

CSO: 4600/655

DONORS' MEETING FOR HYDEL PROJECT BEING CALLED

Kathmandu THE RISING NEPAL in English 14 May 83 pp 1, 6

[Text]

Nepal and Saudi Fund for development Friday agreed to sponsor as soon as possible a meeting of the donors to the Marsyangdi hydro-electricity project with a view to expediting the scheme in the midhills between Pokhara and Kathmandu.

This was agreed upon at the talks held here Friday between Finance Minister Dr. Yadav Prasad Pant and the Fund Vice-Chairman Mahammad A. al-Sugair.

The two also held detailed discussions on various aspects of bilateral relations and cooperation between Nepal and Saudi Arabia.

At the talks Mr. al-Sugair assured the Finance Minister of additional financial help to the Marsyangdi project for which the Fund had already pledged about 357.5 million rupees. The additional amount of assistance will come in collaboration with other countries and international financial institutions, it is learnt.

The Finance Minister and the Fund Vice-Chairman also exchanged views on projects that are in the pipeline for the Saudi assistance.

Dr. Pant and the visiting Saudi dignitary expressed satisfaction at the conclusion of the loan agreement for Kohalpur-Mahakali Road and stressed that the agreement with the World Bank in this regard should also be finalized.

Other topics discussed at the talks included hydro-electricity projects, irrigation schemes and supply of chemical fertilizers. (RSS)

that the people of Dhanusha district had for their food boiled flower of the cotton trees as they had no grains.

Speaking at the second session of the convention ex-minister Rudra Prasad Giri noted that the Panchayat Policy and Evaluation Committee had not been able to evaluate the performance of the panchas.

RP member Sharad Singh Bhandari appealed to all to work in unison for the cause of the Panchayat System.

Another RP member Ram Chandra Raya noted that those who talked of development should not indulge in groupism.

Dr. Dambar Narayan Yadav, also a member of the Rastriya Panchayat, alleged that His Majesty's government had not been able to provide irrigation facility and agricultural credit.

Ex-RP member Pasang Goparma said that the Panchayat System had come upto the expectation of the people.

Zonal committee president of Nepal Women's Organisation Daal Kumari Sunwar presided over the session. (RSS)

CSO: 4600/655

EFFORTS TO MEET FOOD SHORTAGE UNDERLINED

Kathmandu THE RISING NEPAL in English 14 May 83 pp 1 & 6

[Excerpt] Charikot, (RSS):

Panchayat and Local Development Minister Navaraj Subedi speaking at the concluding function of Janakpur zonal level pancha convention held at Charikot said that discussions held at the convention and the suggestions of the convention would help His Majesty's Government to carry out many of its programmes successfully.

He informed the gathering that His Majesty's Government to cope with the food-shortage situation in the country had opened food depots at different places for the convenience of the people. Grains are also being supplied to places hit hard by the shortage of food, he added.

He said that provisions had been made to make the district panchayats responsible for the implementation of the district level projects.

Under the programme district and town panchayats had so far been given thirty million rupees, he added.

He assured that budget would be provided to district and town panchayats to complete projects which were not completed because of the lack of funds.

He said that one of the main objectives of holding the pancha convention was to enlist greater strength for

the government and expressed the hope that the class organisations would play important part in the development of the country.

The Minister also informed the gathering that the government would be providing grant assistance to class organisations from the next year in order to make them function more effectively.

Minister of State for Agriculture Deva Narayan Yadav has said that mutual bickerings would not help the panchas in their efforts to raise the quality of life of the people.

Speaking at the third session of the Janakpur zonal level pancha convention at Charikot, the Minister of State said that the Panchayat System was dynamic and in conformity with the popular

aspirations. It was a fact well established by the verdict of the people, he added.

Speaking on the occasion Assistant Minister for General Administration Krishna Prasad Upreti said that His Majesty's government had made available 5.5 million rupees for the development of Dolakha district. He also said that necessary arrangement was being made to send foodgrains to food deficit places

Ex-minister Homa Bahadur Shrestha said, "we should be able to put our house in order."

Ex-minister Hema Bahadur Malla said that His Majesty's government would not be able to solve the food problem and added

NEPAL'S WATER RESOURCES DEVELOPMENT PRAISED

Kathmandu THE RISING NEPAL in English 19 May 83 p 1

[Text] Norway's ambassador to Nepal, Mr. Tancred Ibsen, has appreciated Nepal's well placed stress on the development of water resources in which he said Norway will be willing to help in whatever way possible.

In an interview Wednesday morning to RSS, Mr. Ibsen, who is here to have talks on augmenting cooperation between the two mountain kingdoms, said, "we are wellplaced to help Nepal develop water resources and also solve ecological problems."

"Norway has more per capita hydro-electricity production than any other nation in the world. It has ten times more hydro-power than the second nation producing hydro-electricity, Mr. Ibsen said.

"We have advanced turbine technology which we would like to share with Nepal as part of technical cooperation," the Norwegian ambassador said.

A Norwegian agency is currently assisting Nepal

to build small-scale hydro power stations in the hills. But the time now has come to go for big hydro-power plants as Nepal rightly seems to have embarked upon, he said.

Mr. Ibsen said efforts should be made to set up a turbine plant in Nepal, if necessary, with the cooperation of neighbouring India. "We can contribute to this effort," he added.

He described the bilateral relations between the two kingdoms as "very good" marked by "unique affinity between the people" of the two countries.

Norway contributes one percent of her gross national product (GNP) for development projects in the Third World. "This is rather much more than of many other nations' if you take into consideration Norway's population which is a mere four million."

"You see that is just like a drop in the ocean," said Ibsen. "We cannot

help everybody with everything, but we would want to ensure that whatever is given is spent effectively."

"It is in this context that we would like to make some more indepth study on the possibilities of cooperation between Norway and Nepal in various sectors," he said.

In addition to water resources, Norway would also be interested in helping Nepal restore the dwindling forest resources "we have considerable experience to help solve Nepal's problem of afforestation," Mr. Ibsen said.

On bilateral trade, he said there was limited prospect of bilateral trade between the two kingdoms. "How much handicrafts and khukuris the four million Norwegians can buy is anybody's guess," he said.

The market apparently is flooded with Nepalese handicrafts which somehow finds its way to the European market through India. "We must find other means of

trade for something that really counts," he suggested.

Mr. Ibsen, who was Norwegian ambassador to China, said, "every country has the right to live without fear or threat and this is enshrined in the United Nations charter to which we all adhere," when asked to comment on Nepal's Zone of Peace proposal.

Norway has been contributing some eight million U.S. dollars through the United Nations agencies and private organizations in Nepal. (RSS)

CSO: 4600/655

BRIEFS

AGREEMENT OF DUTCH VOLUNTEERS--An agreement for volunteers' service from the Netherlands in Nepal was signed here Monday. Finance Secretary Karna Dhoj Adhikary and the Netherlands envoy to Nepal Handrious Leopold initialled the agreement on behalf of their respective government. Netherland's volunteers have been serving in various development sectors in Nepal for over three years. According to one source, the number of the Netherlands volunteers in Nepal is about 26 each year. (RSS) [Text] [Kathmandu THE RISING NEPAL in English 17 May 83 p 1]

SRI LANKAN AMBASSADOR ARRIVES--Ambassador-designate of Sri Lanka to the court of Nepal, Mr. Berner Tilakaratna, arrived here Monday to present his credentials to His Majesty the King. At the Tribhuvan International Airport, Mr. Tilakaratna was received by the Military Secretary to His Majesty the King and the Chief of Protocol. [Text] [Kathmandu THE RISING NEPAL in English 17 May 83 p 1]

NEPAL-SPAIN FRIENDSHIP ASSOCIATION--Lalitpur, (RSS): Minister of State for Labour and Social Welfare Miss Bhadra Kumari Ghale inaugurated Nepal-Spain Friendship and Cultural Association at a function here Friday. Speaking on the occasion Miss Ghale observed that although Nepal and Spain had relations at the government level the need for ties at the peoples level had been felt all along which the establishment of the association would fulfilled to some extent. She also said that she expected the association to contribute towards promoting cooperation and good-will between the two countries. Former Minister Narendra Kumar Pradhan expressed the confidence that the establishment of the association would help towards strengthening good-will and friendship between the two countries. Spanish Ambassador Enreque Mahou said that both Nepal and Spain were monarchies with a rich cultural heritage and expressed the hope that although the two countries were geographically far from each other the association would be able to contribute towards strengthening mutual friendship. [Text] [Kathmandu THE RISING NEPAL in English 20 May 83 p 1]

USE OF FAMILY PLANNING DEVICES--Nepal uses the least number of family planning devices among the Third World countries. A fertility survey conducted here recently says that only 3 per cent of the married women use family planning devices in Nepal. The survey covers 29 Third World countries. However, the survey on the use of family planning devices conducted in 1981 had indicated that 8.7 per cent of the newlyweds in Nepal used contraceptives. [Text] [Kathmandu THE RISING NEPAL in English 20 May 83 p 1]

CSO: 4600/655

INDIAN ARMS POLICY FORCES PAKISTAN TO DEVELOP ATOMIC CAPABILITY

Lahore NAWA-I-WAQT in Urdu 26 Apr 83 p 5

[Editorial: "God, Make It True!"]

[Text] According to a report in an Indian newspaper, it was decided in a conference of the chiefs of staffs of the Indian armed forces that Indian defense plans should be keyed to the threat posed by Pakistan's development of atomic weapons. The Indian defense minister, Mr Venkataraman, has also said that Pakistan is modernizing its armed forces and is trying to become capable of making atomic weapons. He added that Pakistan's main purpose is to take over Kashmir. These are fears expressed by India and we pray that these fears become a reality because the traditional weapons that we possess are not good enough to face India in war. India's ordnance factories are working round the clock piling up weapons. At the same time, India allows its masses die of hunger and ignores their problems. Instead, it is busy stock piling weapons by begging, borrowing or paying cash to the United States, Britain, France, Russia and Israel. Recently, India declared that its armies can face the combined forces of Pakistan and China. In these circumstances, Pakistan has no alternative but to make atomic weapons. We hope that what the Indian Army officers and the minister of defense have said is true and just as we, succeeding bit by bit, established Pakistan, Pakistan will be able to make atomic weapons and solve the problem of Kashmir.

7997

CSO: 4656/172

PPP LEADERSHIP ACCUSED OF PROPAGATING LIES

Karachi JASARAT in Urdu 21 Apr 83 p 8

[Editorial: "Half-Truths"]

[Text] Twelve and a half years after the 1970 elections, a responsible leader of the defunct Pakistan People's Party [PPP] has finally thought fit to acknowledge that nonacceptance of the election outcome that year dismembered the country. Mr Ghulam Mustufa Jatoi, speaking on the occasion of a dinner given by the National Democratic Party [NDP] in Quetta, said that it was the duty of Yahya Khan to have transferred power to the party which received a majority in the 1970 elections. If he would have done so his name would have gone down in the history as a national hero. But he did not do so and the country as a result was dismembered. What then was the use of the elections the results of which were not accepted?

Whatever Mr Ghulam Mustufa Jatoi has said is not the whole truth--it is only a half-truth. We wish he had spoken the whole truth. If the circumstances have forced the PPP people to tell the truth in 12 and 1/2 years, chances are that they will acquire the courage in another 12 and 1/2 years to tell the whole truth. And even then if they will not be willing to tell the truth the exigencies of time will pump it out of them. The horrible state which the PPP has reached since 1970 to this fourth month of 1983 is the result of the half-truth which Mr Jatoi spoke. It was not a voluntary and pleasing confession. Anyway, we are willing to accept it as a positive step in view of the fact that PPP during its reign of 7 years distorted history and events immeasurably.

We have called Mr Jatoi's pronouncements half-truths for the simple reason that he has only acknowledged the dismemberment of the country because of the nonacceptance of election results and Yahya's unwillingness to transfer power to the party which received majority in 1970 elections. But he failed to point out who was responsible for dragging Yahya Khan away from the righteous path, the path on which he had been marching since he took power on 25 March 1969. After the elections were completed Yahya Khan, after a meeting with Sheikh Mujib, had publicly called him the future prime minister of Pakistan in the presence of the press. It appears from this statement that Yahya Khan was very clear in his mind up to this point about his acceptance of the election results and his desire to transfer power to the

party receiving a majority. And to do so he had called a session of the national assembly in Dhaka on 3 March 1970. But Mr Jatoi did not have the courage to tell the truth about the events after that, which is as follows.

Mr Bhutto raised hell about the session of the national assembly being called on 3 March and said that whoever from West Pakistan went to attend it will have his legs broken. Bhutto demanded that the session of the national assembly be postponed. By acceding to Bhutto's demand, Yahya made a mistake which was just one in a series which followed. He postponed the national assembly session. After this point it was Bhutto who kept pushing Yahya on the wrong path.

In all accepted conceptions of democracy, the rightful owner of power is the party which has majority in the national assembly. In an assembly of 313 members the party of Sheikh Mujibur Rahman received 167 seats while the People's Party received only 82, less than half of Awami League's seats. But Bhutto presented the concept of two majority parties and on that basis asked for a share in power. By raising the slogan: "We here, you there" in Nishtar Park it was he (Bhutto) who started the country on the separatist path. If Bhutto had not gotten the 3 March session of the national assembly postponed and had not obstructed the constitutional, legal and political process by raising illogical and undemocratic demands, today not only Yahya Khan but Bhutto also would have been a national hero and the history of Pakistan would have been different. This is that truth which the People's Party will perhaps have the courage to speak in another 12 and 1/2 years.

9859

CSO: 4656/170

PUBLIC RESPONSE TO ZIA TERMED MISLEADING, DANGEROUS

Lahore NAWA-I-WAQT in Urdu 26 Apr 83 p 5

[Article by Abdul Qadir Hassan: "Why Is The Rally Dangerous?"]

[Excerpt] The welcome extended to President Zia by the cheering, drum-beating and jumping local people of Gujranwala and those imported from Gujrat by Chowdhry Shujait may have pushed the traditional democratic process even further into the future and brought our rulers' version of "democracy" closer. After receiving such welcomes in Sind, where it was said no member of the administration would have been allowed to set foot, and Gujranwala, the central town in Punjab and stronghold of the supporters of the old regime, our military rulers have begun to feel that the people are tired of the political games of politicians and are looking for a new kind of political action led by new politicians. This rally in Gujranwala and before it the receptions in Sind have resulted in a situation that is a bad omen and a danger signal to this country so long deprived of democracy.

President Zia has said himself that he is trying to read the popular mood by observing the people. In other words, he wants to find out what people think of his martial law after being under it for 6 years and what kind of political change they desire. The mood observed by the president can help him in his decision. The politicians do not have the right to make that decision. I do not know if the people, in this first expression of public opinion, supported this ineffective, comfort-loving rule with a tarnished image. Had they waited until the announcement of the new political framework to be introduced on 14 August, people would have been in a better position to comment. The military rulers now may have forgotten their earlier fears that if a government system not quite similar to democratic rule is not proposed, people might reject it.

President Zia ul Haq has benefited greatly from this trip. He had made this trip soon after imposing martial law, the story would have been entirely different. At that time, feelings against the old regime were very strong. The memories were recent and the wounds were fresh. Six years have healed those wounds and faded those memories. Martial law has not achieved anything praiseworthy. There is no doubt that the president has given us a gentlemen's government. He has fostered modesty and piety among the people. The phenomenal increase in bribery and corruption, however, had overshadowed that modesty and piety.

I was surprised to learn of Zia's planned trips to meet the people. What did he have to give these people? I believe he went empty-handed. The chief executive did not have any answer for the grievances people have against his government. Surprisingly enough, no one noticed this lack of answers; they did not ask questions. I have no explanation for this reaction from the people. Our politicians should, of course, demand similar rallies, but they should give thought to why this happened and who misled their people.

Some people are delighted that at least our rulers have recognized people's existence. Others are happy to learn that the bureaucracy has, after 6 years of effort, finally succeeded in bringing the president outside, and that it does not argue well for him. Some people are even saying that the time is not far when the president will ask, "Who pushed me?" Perhaps you remember this joke. A child fell overboard and no one went after him to save him. Suddenly, people saw a Sikh struggling in the ocean. The Sikh succeeded in saving the life of the child. The people greatly praised him for his courageous act. The Sikh was, however, very angry. He asked, "First tell me, who pushed me?"

7997

CSO: 4656/172

ZIA CRITICIZED FOR SELF-INDULGENCE

Karachi JASARAT in Urdu 21 Apr 83 p 8

[Editorial: "Mr President, This Is Not Right"]

[Text] The president gave a 1,000-dollar award to an artist of Larkana for making his picture with lentils. We did not like it. One aspect of this matter is that he was providing encouragement to an artist, and there is nothing wrong with that. The other aspect of it, which may not have been a conscious effort on the president's part, is that he was encouraging the tendency on the part of artists to advertise his work. Rulers often fall a victim to such a malady. Once Ayub Khan gave a prize to a blind tribesman in a tribal area of Baluchistan for raising a slogan: "Long live Ayub Khan, emperor of Pakistan," while the founder of Pakistan, Jinnah, had scolded a person for raising a similar slogan. Different reactions of Ayub Khan and Mohammed Ali Jinnah under similar conditions can be a good measure of their moral integrity. Ayub Khan often used to give prizes to the artists drawing his pictures. But Mr Ziaul Haq should not do such things. He should never encourage the people drawing his pictures. Also, we would like him to reimburse the treasury if the money came from it. State exchequer need not be thus burdened by him.

9859

CSO: 4656/170

DEBT BURDEN: ACCEPTING IMF CONDITIONS CRITICIZED

Karachi DAWN in English 1 May 83 Supplement pp I, IV

[Article by M. Ziauddin]

[Text]

STARTING from 1987, Pakistan will be required to mobilise an additional sum of nearly 400 million dollars annually for six years for servicing the 1.69 billion dollars of loan obtained from IMF's Extended Fund Facility in three annual instalments, the last of which will be disbursed before the end of the current calendar year.

The loan was negotiated in 1980 on not very concessional terms. It carried an interest rate of eight per cent and it is repayable in six year, with a four-year grace period. More importantly, the loan was extended to Pakistan on the condition that it would bring about structural changes in the economy in accordance with the fund's own prescription.

Since the loan was extended in 1980, the country's planners have been trying to bring Pakistan's economy in conformity with the IMF's prescription which was spelled out in an economic stabilisation programme, whose progress has been monitored very closely by the Fund's offices since its launching.

Independent economists had warned at the time when the loan was being negotiated that the "facility" would only enhance the country's debt burden and further reduce its capacity to attain a modicum economic self-reliance.

Now that the last instalment of the loan is about to be disbursed

within a couple of months and the three-year economic stabilisation programme is heading towards a close in June this year, it is considered to be an appropriate time to calculate the cost benefit ratio of the 1.69 billion dollar loan.

In cold financial terms, Pakistan's debt burden has jumped by about 2.4 billion dollars amortisation and interest which has to be repaid in six years starting from 1987; meanwhile, payment of interest on the loan at the rate of eight per cent has already begun.

But the story does not end here! Its moral lies in the impact of the three-year economic stabilisation programme on the national economy. This impact is being calculated by independent economists on the basis of the preliminary evaluation of the Fifth Five-year Plan presented by the Planning Commission recently.

Five-fold objectives

The ostensible objective of the IMF's programme was: (1) to raise the share of resources devoted to investment from 16.5 per cent of GNP during 1979-80 to about 17.3 per cent by 1982-83; (2) to increase the ratio of gross national savings to GNP from 12 per cent to 14 per cent by 1982-83; (3) to contain inflation to an average annual rate of 10 per cent; (4) to reduce the ratio of current account deficit to GNP to below 4 per cent by 1982-83 from 5 per cent during 1979-80; and (5) to finance the current account deficit exclusively through long-term loans on concessional terms and di-

rect investment inflows by the end of a five to six-year period.

These objectives were neither very ambitious nor were they in any way opposed to larger national objectives. However, the IMF's prescription for achieving these objectives — whose details were never made known to the public — had evoked strong sentiments among knowledgeable circles. These circles had warned that national interests would be compromised if Pakistan accepted the IMF's prescription.

As a first step towards implementing this prescription, a three-year public sector investment programme for the years 1981-82 to 1983-84 covering the investment plans for the Federal and Provincial governments, as well as of the public sector enterprises was prepared and launched. It was also decided to transfer increasing responsibility to the private sector for various operations in public sector's domain, such as sweet water tubewells and distribution of fertilisers and seed. It was also decided to leave the ground water exploitation increasingly to the private sector.

The programme had envisaged continuation with price adjustment aimed at eliminating fertiliser subsidies by June 1985. It was also decided to prepare and introduce, by December 1981, a special programme of action for expanding cultivation of oilseeds aimed at curtailing edible oil imports and subsidies over the next few years and eliminating imports altogether by the end of the decade.

With respect to public sector industries, it was decided to divest an additional six or seven units to appropriate private buyers. In the case of WAPDA, it was planned to increase the tariff by 10 per cent by the end of 1980 and another 10 per cent by July 1, 1981. These steps were expected to enable WAPDA, beginning 1982-83, to finance at least 40 per cent of average capital expenditure on electricity operations made during the preceding three years.

The programme had envisaged the simplification of procedure for approving private sector investment projects. In this connection, it was planned to reduce the number of levels of administration involved in the clearance process and a limitation and redefinition of the scope

of examination by the CIPCC (Central Investment Promotion and Coordination Committee).

Energy sector

With respect to energy sector, the programme had envisaged a substantial enhancement in the country's energy planning capability. In this connection, IDA credit was to be sought to provide technical and financial assistance for national energy planning. It was decided to review frequently both the level and structure of energy prices to ensure that producer prices provide adequate incentives for the development of indigenous energy resources, particularly in the petroleum sector, and that the prices of various energy products were to be adjusted to ensure "appropriate balance between supply and demand" for different fuels. In addition, it was decided to pass through to consumers all increases in costs of petroleum and petroleum products.

With regard to domestic energy production, it was decided to accelerate petroleum exploration and development effort with a view to at least doubling the domestic production during the programme period. Natural gas production was also planned to be expanded and to increase connections of households by one-half during the same period.

In electricity generation capacity and distribution, the immediate priority was to increase the generating capacity at the Tarbela Dam and to improve the efficiency of transmission system by installing high voltage lines in the national grid.

On the revenue side, it was decided to progressively raise the levels of fees and charges for services provided by the Government to "at least cover the costs" in order to reduce "cost-price distortions and add to the budgetary resources". It was thought that through these measures the Government, while increasing public sector savings and investment in real terms, will also be able to cover the gap between expenditure and revenues and to limit recourse to financing from the domestic banking system to about 2 per cent of GDP on an average annual basis over the programme period.

During the programme period, it was envisaged to restrict the average annual growth rate of domestic

liquidity to 14-19 per cent. This containment was expected to allow enough scope for the banking system to meet the expanded credit requirements of the private sector.

With regard to imports, it was decided to gradually liberalise and reform the system so that by the start of 1983-84, all commodities not explicitly prohibited will be freely importable. It was also decided that protective tariffs to be applied would not be so excessive as to vitiate the stated objective of liberalising imports.

At the start of 1983-84, the banned items were to be listed in three categories:

- 1) A list of imports prohibited for religious or security reasons and of luxury consumer goods banned for socio-economic reasons;
- 2) A second list of specified consumer and capital goods banned temporarily for protective reasons; and
- 3) In addition, a list was to be maintained to ban temporarily raw materials and intermediate goods used exclusively in the production of those goods in List 2.

The programme had envisaged elimination of budgetary subsidisation over the next few years. The subsidy on fertilisers was decided to be eliminated over a five-year period, while the subsidies on wheat and edible oil were to be held constant or reduced in nominal terms during the programme period.

In each year of the programme period, it was decided, the level of subsidies permitted within the limit of overall budgetary resources will be specified and, if necessary, measures will be taken to prevent an increase in the aggregate subsidy bill beyond the level as provided in the budget.

The IMF programme had also envisaged an improvement in application of labour laws in order to improve labour-management relations and promote efficiency.

This, in brief, was the outline of the Economic Stabilisation Programme as prescribed by the IMF. Since the cut-off date of both the Fifth Five-year Plan and this dictated programme is June 1983, it would perhaps be not illogical to use data given in the preliminary evaluation report of the Fifth Five-year Plan (made public recently) to measure the achievements of the IMF programme.

Investment ratio

The first objective was to raise the share of resources devoted to investment from 16.5 per cent of GNP during 1979-80 to about 17.3 per cent by 1982-83. The evaluation report of the Fifth Plan estimates that the share of the resources devoted to investment would decline to 14 per cent of GNP by the end of fiscal 1982-83.

The second objective was to increase the ratio of gross national savings to GNP from 12 per cent to 14 per cent by 1982-83. According to the evaluation, the domestic saving effort is estimated to be of the order of only eight per cent at the end of fiscal 1982-83.

The third objective was to contain inflation to an average annual rate of 10 per cent by 1982-83. According to the evaluation report, the inflation rate was on average 9 to 10 per cent at the beginning of the current year and in the final year of the programme the inflation rate was claimed to have declined roughly around 6 per cent per annum.

These figures have, however, been disputed by leading businessmen who put the inflation rate just before the beginning of the current fiscal year at about 30 per cent and some say that during the first nine months of the current year the rate of inflation declined to around 11 per cent as a result of decline in the import component of inflation because of worldwide recession and since March this year the rate of inflation is said to have once again started galloping.

The fourth objective was to reduce the ratio of current account deficit to GNP to below 4 per cent by 1982-83 from 5 per cent during 1979-80. However according to the evaluation report, the balance of payments current account deficit is estimated at 1.3 billion dollars during 1982-83, the final year of the programme. On the basis of this, it can be said that the ratio of current account deficit to GNP as estimated at around 25 billion dollars at current prices has expanded far beyond the targeted 4 per cent and much more than the 5 per cent benchmark.

Current account deficit

The fifth objective was to finance the current account deficit exclusively through long-term loan on

concessional terms and direct investment inflows by the end of a five-to six-year period. However, Pakistan had to borrow about 350 million dollars in the second year of the programme from commercial banks which carried tough conditions and a very high rate of interest. This year, too, the country is looking for about 250 million dollars from the commercial market. These short-term borrowings are being negotiated for the ostensible purpose of paying for urgent imports of essential goods. But in actual fact, these amounts are to be used for covering partly the widening negative gap in the balance of payments position.

Meanwhile, the public sector investment programme for 1982-84 appears to have been lost sight of due to financial constraints — both domestic and external. The energy plan of the programme, too, seems to have failed to take off for the same reason. Petroleum production, which was to have gone up from around 10,000 barrels a day to around 20,000 barrels a day, is stagnating around 14,000 barrels a day. The consumer prices of the petroleum and petroleum products have been pushed up in accordance with the IMF prescription, thereby increasing the difficulties of the common man, a sacrifice from which he has nothing to gain.

Natural gas production, too, has so far shown no improvement and the hope for increase in domestic connections by one-half during the Plan period has remained just a dream.

Similarly, there is no improvement in edible oil production. As a matter of fact, its imports have gone up steeply.

Indeed the whole plan appears to have failed to take off, leaving the country with nothing but an addition to its debt burden.

CSO: 4600/611

ECONOMY TERMED 'FRAGILE', PROPPED UP

Karachi DAWN in English 1 May 83 Supplement pp I, IV

[Text]

THREE factors have kept the Pakistan economy in a buoyant state in recent years. There have been good harvests. Pakistan workers employed in the Middle East have sent home remittances of over \$2bn a year. There has been a flow of substantial aid from the International Monetary Fund, the World Bank and other sources.

Without any one of these props the economy, which is already vulnerable, would become even more fragile. The Government is therefore concerned about the prospects as it finalises ambitious targets for its sixth five-year economic plan.

Harvests cannot be guaranteed. The decline in Middle East construction work and the falling price of oil could reduce the demand for Pakistani workers overseas. Other countries may not be prepared permanently to provide all the aid that is needed.

For the time being, however, there are no immediate crises in prospect. The foreign workers' remittances have helped to create an aura of a comfortable consumer society, with modern Japanese cars on the roads and electrical goods in homes.

Problems

The Government's attempts to turn this superficially prosperous economy into a firmly based agricultural and industrial society faces problems. The balance of payments position has worsened, economic growth is slowing slightly

and inflation is widely believed to be well above the Government's official 5 to 6 per cent figure.

The private sector of industry has yet to respond to government policies with substantial investment, although there are signs of an increase.

The most significant prop in political terms is the U.S. package of defence and development aid totalling \$3.2bn over five or six years. The annual tranches from the U.S. form part of the package provided by countries in the aid to Pakistan consortium.

Together with aid from other sources this money helps to fund much of Pakistan's development, while also providing urgently needed foreign exchange. A heavy repayment burden means that about 75 per cent of the aid received each year has to be used to service debts.

In economic terms the main prop is the IMF's extended facility of \$1.5bn over three years which runs out this autumn, having provided essential support for the country's balance of payments.

Mr. Ghulam Ishaq Khan, the veteran civil servant who has been Finance Minister since the present regime came to power, is adamant that he does not want to ask the IMF for another facility.

"We have no intention of going back to the IMF this summer," he says, "That is not to say that our balance of payments troubles are over and I am not ruling out the possibility; but as of now I see no need to go back for another extended facility."

The country's balance of payments deteriorated in the financial year July 1981-June 1982 because

of a 17 per cent decline in exports and slower growth in migrant workers' remittances.

Although the country has become more than self-sufficient in food and is planning a major expansion of agricultural exports to transform its balance of trade in the future, low international commodity prices have hit exports. It has been left with uncomfortably large stockpiles of 500,000 tonnes of sugar, and a similar surplus of wheat is feared. Cotton exports have slumped by 49 per cent and rice by 30 per cent.

Now there is a \$1.3bn current account deficit which is reduced to \$200m when gross aid income is taken into account. But despite record levels of reserves exceeding \$1bn, there is only two or three months of import cover.

Good rate

The rate of overall economic growth has been good in recent years, averaging about 6 to 6.5 per cent a year. But this may now fall back to 6 per cent or perhaps a little less in the current financial year. Measured by international standards this is not a bad result, but it is considerably less than the Government's 6.7 per cent target for GDP growth.

The country is now debating its sixth five-year plan which comes into force this summer, and already ministers, are cutting back on projects in its early years because of economic constraints. Mr. Ghulam Ishaq Khan stresses he does not believe in rapid change.

Mr. Mahbubul Haq, the new Minister for Planning last summer returned to Pakistan after 12 years with the World Bank in Washington to prepare the new plan. He made his name ten years ago by condemning the "22 families" in Pakistan who it was said owned 80 per cent of the country's industrial wealth.

Now, however, Mr. Mahbubul Haq is firmly wedded to President Zia's policy of backing the private sector and curtailing public sector industrial investment. Many industrialists and businessmen in Karachi suspect that Mr. Ghulam Ishaq, who has wide ranging powers is not so keen on relaxing controls on the private sector. He is also believed to have opposed IMF demands for import controls to be relaxed.

But the main clash has come over the extent to which the five-year plan should attempt to transform the country's rural and social infrastructure. Mr. Mahbubul Haq

wants to raise the literacy rate from 24 per cent to 40 per cent in five years, to electrify 32,000 of Pakistan's 45,000 villages that have no electricity and to double the mileage of rural roads.

He wants to develop the backward regions of Baluchistan and the North West Frontier Province to help expand the country's net food exports from \$100m to \$1 bn a year.

These plans are now being watered down, but the basic tenets of the policy remain. These are to switch public sector investment from industry to the social services, relying also on the private sector to bolster scarce infrastructure investment. Businessmen are being asked to form partnerships with the Government — for example to help finance a project to turn the major Peshawar to Karachi highway into a dual carriage way.

It is also being suggested that foreign workers' remittances should be put into collective funds for local authorities to use as part of the cost of electrifying villages and building rural roads. It remains to be seen whether private sector financial institutions will respond on the major projects or whether individuals will be prepared to divert their foreign earnings from consumer and family items like cars, electrical goods, and building houses to communal projects.

Potential

There is considerable potential in the country for foreign as well as domestic industrial investment. Potential interest from abroad illustrated both by a conference in London on the country's investment prospects and by a visit to Pakistan by an investment team from the U.S. There are also signs of increased investment from the Middle East.

To get the overall response it wants, however, the Government needs to do more to encourage its own industrialists to invest, partly by changing its taxation structure away from import and custom duties. It also needs to do more to encourage personal savings and to relax the bureaucratic controls exercised by Government departments and Government owned banks.

Without such changes, and an improvement in energy supplies and infrastructure as well as a greater degree of political certainty for the future, the economy is unlikely to emerge into a period of stable and sustained growth.—Dawn —FT Service.

CONCERN EXPRESSED OVER CURRENT ACCOUNT DEFICIT

Karachi DAWN in English 1 May 83 p 9

[Text]

THE Federal Finance Minister, Mr. Ghulam Ishaq Khan, disclosed the other day in London that Pakistan's current account deficit for the fiscal year beginning this July is estimated to go up to one billion dollars from 850 — 900 million dollars for 1982-83. This should give rise to some concern among our economic planners for Pakistan's trade deficit, which mainly accounts for the current account deficit, has been rising steadily in the last few years. In 1978-79 Pakistan's merchandise account (import-export) showed a gap of about 2.1 billion dollars. This had grown to 3.4 billion dollars in 1981-82 and according to latest official figures for the period July-March (1982-83) the gap has already reached the 3 billion dollar mark. This gap has been contained somewhat by the increased remittances from overseas Pakistanis which went up from 1.4 billion dollars in 1978-79 to 2.3 billion dollars in 1981-82. So far no authoritative figures of remittances for the current year have been made available, and it is not possible to estimate how much of the merchandise account deficit would be covered by remittances by the beginning of the next fiscal year. What, however, is possible to predict is the fact that once again the money earned by the compatriots overseas will keep the

current account deficit from rising to an alarmingly high level.

Imports which were around 3.8 billion dollars in 1978-79 escalated to 5.7 billion dollars in 1981-82. In the first nine months of the current year imports are estimated to have crossed the 4 billion dollar mark. On the other hand, exports which were around 1.6 billion dollars in 1978-79 did not show a corresponding increase and in 1981-82 Pakistan's exports stood at 2.5 billion dollars. During the first nine months of the current year these are estimated to have stagnated at about 1.6 billion dollars. The export-import gap has widened despite the fact that over the years the country has attained a semblance of self-sufficiency in food, sugar and fertilisers and, to some extent, in cement. Moreover, in spite of a steep rise in imports during the last 33 months, no significant economic activity has been witnessed by way of more investments and savings. Investments by the end of the current year are estimated to decline to 14 per cent of GNP from around 16.5 per cent in 1978-79 while gross national savings are estimated to decline from 12 per cent to 8 per cent during the same period. The argument that imports boost value-added exports is

hardly valid. While imports have been rising at an alarming pace during the last 33 months, exports have not improved in any significant way. All this leads one to the logical conclusion that most of the imports in recent years were consumption-oriented having little or no economic value. The sudden jump in imports in 1980-81 was clearly a result of the liberalisation of imports effected that year in response to the package of conditions attached to the 1.69 billion dollar loan obtained in late 1980 from IMF's extended fund facility for balance of payments support. In order to curb the increase in the overall size of disequilibrium expected between export and import in the initial period as a result of import liberalisation, it was reportedly decided to increase import tariffs in preference to outright bans or quantitative restrictions on imports. But the principle of increases in tariffs was apparently used to make up for the shrinking revenue base (resulting from declining economic activity) rather than to improve the efficiency of resource allocations. It did not prove possible to prevent import liberalisation from triggering consumption-oriented imports.

Imports are now being financed not only by exports but also by the hard earned income of the overseas Pakistani workers. And yet the country had to mobilise about 350 mil-

lion dollars from the commercial market at about 14-16 per cent interest for meeting a part of the import bill for 1981-82. Next year, too, the country is expected to negotiate another loan of about 250 million dollars for a similar purpose. Obviously wrong priorities are distorting our economic policies. The breathing space provided by the 1.69 billion dollar IMF loan for balance of payments support should have enabled the planners to put the country's economic house in order. The situation, however, has not improved at the end of three years over which the loan was disbursed. Instead we find that we have taken upon ourselves the burden of an additional debts servicing liability of around 400 million dollars per annum for the IMF loan. Even if the import bill remains at the present level in the coming years, and with other relevant factors also remaining constant, Pakistan will have to mobilise an additional 400 - 500 million dollars a year to bridge the external resources gap which will arise when the IMF's balance of payments support facility ends next year. How the Government hopes to cope with this situation is not at all clear. It is important that our economic planners take the trouble to explain this state of affairs and define the strategy they propose to adopt to reduce the country's growing external dependence.

JUBILATION OVER SECURING LOANS CRITICIZED

Karachi DAWN in English 1 May 83 Supplement pp I, IV

[Article by S. M. Huda]

[Text]

LIKE on previous occasions, the announcement of Consortium aid has led to jubilation in official circles. This year, the grant exceeded the request and as the Minister for Planning pinpointed, it was the largest aid received from the Consortium. It was also taken to represent the height of confidence which the donors reposed in our economy.

When credit givers are satisfied with our economy's performance, there is obvious reason for being jubilant. But the other important reason is that foreign aid plays a vital role in our economy. The external debt as a percentage of GNP is highest for Pakistan in South Asia at 34.7 per cent. Comparable figures are: Sri Lanka 32.5, Bangladesh 30.8 and India 10 per cent.

In the enthusiasm for aid, however, the fact is lost sight of that it is no more "aid" but loan and the concept of loans being "soft" has also changed. World Bank loan available before at 6 per cent or less is now being delivered at nearly 12 per cent. Now that we have to pay back heavily for the loans which were committed at a low rate of interest, what would be the debt liability after 10 years with the heavy amount at current high rate of interest, it is being asked.

Insofar as industrialised countries are concerned, they are only giving back, at a higher rate of interest, the money which they re-

ceive in payment of their previous loans. By calling it "aid" they perhaps feel magnanimous and also satisfied that they are helping a poor developing country. In turn, the elite of the developing country are happy that resources are being developed for them without much hardship which is generally associated with development. They do not have to lead a life of austerity and suffer the rigours of measures which are needed for mobilisation of domestic resources.

Pledge for 1983-84

Now let us look at the pledges which Pakistan has received for 1983-84. The Consortium has pledged \$1406 million, although Pakistan had asked for \$1350 million. Further, five countries — West Germany, Japan, France, Italy and Netherlands — have yet to announce their pledges. It is estimated that after their pledges, the amount would rise to \$1500 million.

This increased offer is being taken as a vote of confidence in our economy. But the increased offer could also be due to the fact that Pakistan did not ask for rescheduling of debts during the Consortium meeting. Possibly, creditors would like to advance new loans at higher rate of interest than old loans at the previous rates.

Debt service payment for Pakistan has gone up from \$675 million in 1980-81 to \$728 million in 1981-82 in spite of the Multilateral Accord on Debt Relief for a period of 18 months ending July 14, 1982. Taking the debt payment of last

year as the base over the fact that there is no agreement for debt relief; the total debt liability could be estimated about \$900 million. Taking the pledge at \$1500 million and debt payment at \$900 million the net transfer would be about \$600 million, which is 40 per cent of the total pledge.

Pledges, however, do not necessarily coincide with gross disbursement. There was a total pledge of \$1,312 million for 1981-82 but gross disbursement was reduced by \$200 million to \$1,113 million. As past experience shows, disbursement is invariably less than the Pledge. We may not receive the same amount which has been pledged.

As for non-project aid, according to the Planning Minister, it has been increased to \$380 million from \$201 million last year. According to the Economic Survey, however, the Consortium pledge for non-project aid amounted to \$488 million. The relief assistance for Afghan refugees according to the Survey was of the order of \$140 million, but according to the Planning Minister it was \$232 million last year and it would be increased further during 1983-84. Since the Consortium aid includes aid to Afghan Refugees the net aid for Pakistan's development would be further reduced from the net aid of \$600 million.

It appears that the Consortium has postponed the consideration of the financing of the major development projects which are of the order of \$18 billion. For this purpose, a special meeting of the Consortium meeting will be held in Paris in December immediately followed by another special meeting with private banks for co-financing of big projects of the Sixth Plan along with government financing.

The recent policy of donor countries to involve private banks in the development projects could, however, mean harsher terms along with high rates of interest. It would certainly present a different

picture to the total loans contracted by Pakistan during 1951 to 1974-75 when about 21 per cent was received interest-free, 42 per cent on interest rate upto 3 per cent, 27 per cent at between 3 to 6 per cent and 10 per cent at above 6 per cent.

The increased quantum of loans will have its repercussion on the budgetary resources also, because the depreciation of the external value of rupee, now over 30 per cent, will require a revaluing of external debt. The effect of delinking of rupee was already felt during the Budget of 1981-82 when servicing of foreign debts increased by 31 per cent and repayment of principal by 50.8 per cent. In view of these burdens, there was not much to be jubilant about, in economic terms.

With regard to building up the country's capacity for repayment, stress is being given to the development of agriculture on commercial lines and promoting agriculture-based industries with the participation of multinationals. But apart from the fact that agriculture is subject to vagaries of nature and its products to adverse terms of trade, the new emphasis ignores the role of the steel mills and the engineering industry.

For improving the economy's debt repayment capabilities, greater reliance need to be placed on a realistic planning of available resources. In the final analysis, it has to be noted, that aid addiction has to be given up; huge aid should not be the hallmark of planning and development.

The recent evaluation of the Fifth Plan showed that we were able to achieve a growth of six per cent in spite of the shortfall in Foreign assistance. The decline in the net flow of aid brought down economy's dependence on foreign sources from 33 per cent in 1974-75 to just one per cent in 1981-82, as the Planning Minister said. Now the policymakers should be able to tell us that we can do with less and less aid.

CONFUSING UNEMPLOYMENT PICTURE DISCUSSED

Karachi DAWN in English 1 May 83 p III

[Article by M. B. Naqvi]

[Text]

DO YOU know that Pakistan's unemployment rate is — guess what? It is no more than 3.1 per cent. Just that 3.1 per cent, and no more. That is official and a published one to boot. And news indeed.

Many will murmur in disbelief about either definition or what the Planning Commission has been talking about. Insofar as definition is concerned, there is no ground to doubt. The figure denotes per hundred of those who are looking for work in comparison with the total labour force (the latter being all able-bodied adults who are either working or looking for work).

The Plan documents used to mention somewhat tentatively, if not apologetically, the figure of 20 per cent to include part unemployment. This was considered to be on the low side by many. But that is an old story and the assumptions have changed.

Differing assessments

The figure is correctly being reported. It is taken from the State Bank of Pakistan's official publication: the bulletin of March '83. The question will have to be faced: how to reconcile such wildly differing assessments? The background is provided by the widespread belief that the employment situation, except for the distraction provided by the Dubai syndrome, has not distinctly improved, what with under utilisation of installed capacity and

less of hard long gestation investments.

There is some explanation to be found in definition problems. The Planning Commission is concerned with the macro situation at the national level (in human terms). It included a lot of unutilised labour-time spent in doing precious little of economic value. It rounded off all these. Whereas the State Bank, which has quoted the Statistics Division, reports only those who are somehow registered, it is an open secret that there are a lot of economic facts of life that do not get reported (to government agencies).

Let us take an example. We have population figure given by the Census Commissioner. We might as well ask the Statistics people to compute the actual population figure from the register of births (and deaths) that are supposed to be kept by local bodies. It is certain the two will vary by tens of millions.

Even allowing for such differences, the 3.1 per cent unemployment figure — that beats all developed countries, not counting the Socialist Bloc where unemployment is supposed to be unknown — is a far cry from 20 per cent (which itself was always considered by competent economists to be an understatement). Definition question goes some way in explaining, but not too far.

A large difference, one can be sure of it, is made by the reporting system's inadequacies. Indeed, it is possible to talk of a lack of a system. The state in Pakistan

knows so little about the economy; what it does know is seldom trustworthy because of the incompleteness of the data. This is the secret of some figures that almost startle people when presented by officials.

The government officials have all the details on the surface. Thus Sind has a larger number of unemployed than, say NWFP. The respective figures are: 2.3 per cent in the latter and 3.3 per cent in the former. The female unemployment rates are higher than those of males. Male unemployment rate nationally is 2.9 per cent while that of females goes up as high as 8.6 per cent in Baluchistan but remains 7.5 per cent nationally.

Insofar as the male unemployment rate is concerned, it shows rather interesting variations. Thus, while 2.1 per cent of males were unemployed in the NWFP, the position in Sind is revealed to be worse: 3.2 per cent.

All in all, the employment situation is better in Pakistan than most of the developed countries, not to say of other developing countries. The Americans are groaning at an unemployment rate of around 10 per cent; Britain is much above the American level. The EEC states, especially Germany and France, hover around five to six per cent. Only Japan is roughly comparable in its successes with the one of Pakistan's economy managers. Other developing countries are much worse of.

The secret

What is the secret of Pakistan's success? As already noted, definition and inadequate reporting system together cannot quite explain such a large hiatus. There are other developing countries, said to be a shade more developed like Brazil and India that are otherwise comparable, that do not boast of such a bright achievement. How come?

Part of the explanation may lie in another statistic. The ratio of the labour force to the total population. Let us just look at it. In the case of Pakistan it is 27.2 per cent. The first detail is its break-up in

terms of males and females: 49.8 per cent of all the males of all ages were either working or were looking for work as against only 2.1 per cent of women. This alone should reveal something.

Then let us compare our labour force figure of 27.2 per cent with those of other developing countries. Malaysia returns a figure of 36.6 per cent while Indonesia shows 37.7 per cent, Thailand mentions 48.8 per cent.

The first explanation is culture-oriented: far too few women participate in economic activities. No use passing any value judgement. The fact is a given one. But how true the figure of 2.1 per cent of women working or wanting to work? Anyone even casually visiting a village in Punjab or NWFP — supposedly the most socially conservative areas — would know of large-scale work in the field by women.

Apparently that is not reported to the government by the system. Then, a very large part of the handicrafts put on sale in the market are actually made by women either as self-employed or working on a piece-rate basis or even contract workers (of shopkeepers). If the state apparatus does not know that women do work in this country, it is just too bad. But even this is a part explanation, despite its indeterminate nature.

The other part (even which will not complete the explanation) comprises another detail provided by the Census Commissioner: The number of adults compared to minors. The latter outnumber the former by a large margin. All the family planning expenditures notwithstanding, population growth, according to independent observers is now shooting past the 3 per cent mark. Would that someone pause and think its implications.

The final part of the explanation is plain impossibility of the figure of 3.1 per cent unemployment rate being true. It is a tale to the marines. Anyone who visits a recruiting officer's premises will instantly feel prone to violence at those who talk such things. Anyhow it is a good excuse for winding up all employment exchanges.

BRIEFS

BASIC AGRICULTURAL FACTS RELEASED--ISLAMABAD, April 30--The total area under forest in Pakistan till 1980-81 was 2.76 million hectares, according to the Pakistan Basic Facts released by the Ministry of Finance. Other basic statistics on agriculture and forestry during the same period are as follows:- The number of farm households: 5.51 million. Members of farm households 30 million. Total cultivable area: 32.08 million hectares. Cultivated area per household: 3.66 million hectares. Number of imported tractors: 16,137. Number of tubewells installed 6,160. Dairy cattles: 17,171. Fish production: 297 million tons. The number of tractors during 1981-82 reached 18,858 while the number of tubewells to 6,200. Fish production during the same period was 301 million tons. [Text] [Karachi DAWN in English 1 May 83 p 7]

PRISONERS' LIST PLANNED--LAHORE, April 30--A detailed list of political prisoners and detenus has been prepared by the defunct Qaumi Mahaz-i-Azadi (QMA). The party intends to release this list within a couple of weeks. This was stated by the Vice-President of QMA, Mr Pervez Saleh while addressing a press conference here today. It was claimed that there were thousands of names on the list which the party sources had collected through proper channels. Though on behalf of his party Mr Saleh mainly took up topics such as Pakistan's foreign policy and internal situation but at the same time he criticised a non-MRD member political party for creating such conditions in the country which were aimed at destroying the democratic institutions and democratic forces. Giving the point of view of the defunct QMA it was maintained that every decision of the MRD would be upheld. [Text] [Karachi DAWN in English 1 May 83 p 8]

PLEA FOR PRISONER COUNT--Mr. Nafees Siddiqi, Secretary General of the National Council for Civil Liberties, has suggested a committee of the members of the judiciary and the bar to find out the exact number of political prisoners in jails all over the country. [Karachi DAWN in English 1 May 83 p 10]

CSO: 4600/611

END