

249076

JPRS-NEA-85-097

26 July 1985

# Near East/South Asia Report

19980226 165

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REGIONAL AFFAIRS

PRICE WAR SAID TO THREATEN GULF AIRLINES

Paris AL-MUSTAQBAL in Arabic 25 May 85 p 45

[Text] Foreign airlines are supposed to be bound by IATA prices, especially concerning the use of the "fifth freedom." However, these companies have not respected their agreements and the Gulf and Saudi airlines are now threatened. Therefore, the Arab companies have prepared to respond strongly to the foreign companies from a position of strength.

The war of the airlines has recently reached the skies of the Gulf countries. The national companies tried to stop the war some time ago but it appears that their efforts in this regard have met with failure.

The problem for the Gulf national airlines is that their countries have become very important transit points for the transcontinental flights of foreign companies, in particular for flights from Europe to the Far East. Over 23 companies operate on this route. Most of the planes coming from Europe are jumbo jets that can fly long distances. Often these planes carry fewer passengers than they have capacity for and, therefore, welcome any passengers they can pick up in the airports in Kuwait, Jiddah, Dubayy, Abu Dhabi or Bahrain. To attract these passengers they are offering large discounts in prices. Even if the ticket is half price, whatever is paid is pure profit for the company because the cost of the flight is calculated according to the number of passengers carried from Europe. In other words, the passenger found in Gulf airports is the one that brings in the companies' profits.

Recently the foreign companies have pursued a policy of giving discounts of as much as 75 percent off the IATA prices charged by the Gulf airlines and the prices have not bottomed out yet. The local companies have tried to curb this phenomenon with the force of the law because they are so severely threatened. Most of their profitable flights are those from the Gulf to Europe and vice versa, so the foreign companies are competing with them on their best routes.

Representatives of the foreign airlines have been invited to a number of meetings held in Kuwait and Bahrain where this phenomenon has been discussed with them. Decisions were made to adhere strictly and precisely to IATA prices, but the commitment was not respected for very long.

The Gulf airlines believe that as a last resort they can prevent overflights or prevent the foreign companies from using the fifth freedom--the transport of passengers from countries other than their own to other countries. Observers believe that it is urgent that the Gulf airlines enter an extensive battle against the civil aviation authorities in the European states that will not limit the freedom of their national carriers, but no one can anticipate the results of such a battle.

In the latest agreement reached with the foreign airlines about 2 months ago these companies promised reluctantly to adhere to IATA tariffs. Reports have indicated recently, however, that the price war has returned, if only in a narrow context.

An important development occurred recently when the travel and tourism agencies and even the hotels and tourism organizations applied pressure to have things left as they are. The owner of one of the travel and tourism agencies said that the airlines must enter the market as competitors and lower their prices as the foreign airlines have done in order to maintain the large business sector that relies on the services created by these companies.

The chairman of Kuwait Airlines, Mr Ahmad al-Mishari, says that the continuation of the current situation threatens the loss of all the companies, and that the recent "open skies" experiment in the United States has proven beyond a shadow of a doubt that "open skies" are harmful to the airline companies. He cited as evidence that a number of airlines had disappeared or gone bankrupt and said that there is no justification for repeating the experiment in Gulf skies.

The problem, as one Gulf official says, is that the passenger market in the Gulf states is shrinking due to the economic stagnation that the region is experiencing. Therefore, competition for a small market in which large discounts are used will certainly lead to unwelcome consequences.

The three Gulf airlines--Saudia, Kuwait Airlines and Gulf Air--have, as observers note, powerful claws. These companies own modern fleets of large planes and offer better onboard services. They receive subsidies from their governments, can obtain fuel at low prices and have other advantages. "If they want a battle, so be it. Let's see who will profit and who will lose," as one Gulf official said, "because a battle in which we use all of our resources will not benefit them. These companies suffer the most from losses and, therefore, they are always afraid of reactions by the Gulf airlines."

At this point there is no solution to the crisis which appears to be irremediable, especially since the travel agencies are granting discounts without recording them on the tickets. A situation such as this may be incurable since it would not be in the interest of the governments to raise ticket prices if the discounts were discontinued. At the same time, it would not be in their interest to leave the airlines which they own in the storms of competition.

Meanwhile, however, one observer says that the foreign airlines, despite the harsh competition, have not yet been able to capture a large portion of the

local airlines' market share. The share that they have taken is still small and does not yet pose a danger.

The reason is that Gulf nationals have grown accustomed to traveling on the planes of local airlines. This is a critical factor in this matter.

Observers believe that the phenomenon will soon spread to the entire Arab world because this region is centrally located in the world and because travel from Europe and the Arab world to the Far East and vice versa is increasing annually at a rate of 6 percent. It is well known that the world economic strength is moving slowly from the West to the Far East, and this will lead to an increase in travel between the two poles.

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CSO: 4404/368

REGIONAL AFFAIRS

GULF BANKS URGED TO PLAY MORE ACTIVE ROLE IN SLOW ECONOMY

Riyadh AL-RIYAD in Arabic 29 May 85 p. 13

[Text] If we were to look for a way to invest in the Gulf Cooperation Council (GCC) states we would find a number of paths leading us to many investment centers and institutions for project financing. The issue here, however, is how to take advantage of the natural presence of capital and financial establishments for unified economic projects that would directly benefit the people of the Gulf. The region has nearly 1,000 financial institutions that can participate in financing joint projects among the states of the region that come under the umbrella of the GCC. The GCC has provided for freedom of economic movement based on the GCC economic agreement.

The states of the Council have agreed to establish a Gulf investment organization owned by the governments of the GCC states. Its capitalization is \$1.2 billion of which only \$430 million has been provided although the founding agreement stipulates that the remainder will be paid within 5 years from the date of the first installment, which was 15 November 1983.

Certainly this organization, for example, has before it a number of important projects. Moreover, the field for capital investment in the Gulf economies is still widespread and diverse.

In this context, our financial organizations in the Gulf have the responsibility of playing a significant role in the support and development of investment projects in the various development sectors.

The issues facing these national banks concern their role in training national cadres in banking practices through special institutes, affirming fundamental principles of banking practices and bank operations management techniques, marketing, analysis of security arrangements, analysis of modern management structures through the specification of training levels for new employees and the provision of mid-level and advanced training, and cooperation with the universities and management and operations colleges in the Gulf universities. This cooperation would be carried out in order to achieve the ideal utilization of the Gulf's human resources.

Economic studies in this regard confirm that the current phase is conducive to the banks undertaking their desired role. Concerning the banks' activities,

the studies say that the banks must change their practice of merely taking deposits and making loans, and should become an industry based on the provision of comprehensive services to business.

Another study says that the assets of Gulf commercial banks have reached \$91.9 billion.

In addition, the proportion of native Gulf workers has reached 25 percent of the total workforce estimated at 60,000 workers in Gulf commercial banks.

A study by the Gulf Federation of Chambers of Commerce says that during the past decade the Gulf economy has witnessed tremendous progress in the development of basic infrastructures and similar progress in the development and expansion of production bases. The consumer goods sectors were able to maintain more than an 80 percent share of the gross domestic product (GDP) throughout the past decade. There was a dramatic jump in the share of the consumer goods sectors in 1974 when it reached 87 percent of the GDP of the GCC states. This occurred after the correction of oil prices in 1973. However, 1980 witnessed a new development when the share of GDP of the consumer goods sectors in the GCC states dropped to less than 80 percent (79 percent) for the first time since the beginning of the 1970s. At the same time, the share of the distribution and services sectors increased. If we eliminate the impact of the mining industries on the GDP of the GCC states, we find that the share of the marginal sectors (distribution and services) increased to 57 percent in 1983. This indicates the dominance of the non-consumer goods sectors in the non-oil GDP. This is an important indication that the utilization of domestic products, which are basically generated by the oil sector, is being largely curtailed by a move into the marginal distribution and services sectors. The share of the agricultural and industrial sectors remained confined to 17 percent of non-oil GDP in the GCC states in 1982. This indicates that our development efforts are still below the level of our ambitions and below a level that could effectively introduce significant changes in the structure of the economy. Therefore, the Gulf economies are categorized as developing economies whose general economic activity depends primarily on the returns from one or two exported goods. This subjects these economies to financial pressures resulting from fluctuations in demand, swinging prices and strong ties to the mechanics of the industrial economies.

Worldwide demand for oil began to decrease in 1980, reaching a low point in 1983 that pushed the oil exports of the GCC states down by at least 50 percent. This also forced the OPEC Ministerial Council in a meeting in London on 14 March 1983 to modify its oil pricing structure and lower the benchmark price of oil from \$34 to \$29 per barrel and put a higher ceiling of 17.5 million b/d on OPEC production. Then in 1984 the ceiling was lowered to 16.5 million b/d and finally at the January 1985 Geneva meeting the benchmark price was again lowered. In general, the partial economic recovery witnessed by the advanced industrial states during 1983 and 1984 and the drop in oil prices helped to stop the collapse in worldwide demand for oil. Despite this, there is still a number of factors pushing the demand for oil down, and these were defined in the 10th report of the secretary general of OEAPEC for 1983.

## Importance of Accommodating New Economic Realities

This new economic reality requires an accommodation to the expectations of the future and the growing likelihood that oil revenues will remain low for the next 3 or 4 years. This requires that a new development course be charted in which sound priorities are established for development projects in accordance with studies of the various sectors of the economy. These studies would determine the existing industrial and agricultural realities and identify the choke points and gaps in investment. In correcting the imbalances we would correct the course of industrialization and direction of Gulf economic capabilities. After this, technical and economic feasibility studies would be conducted for these investment opportunities, insuring that the proposed projects are commensurate with the human and marketing capabilities available in the region. These projects would be viewed from a regional standpoint taking into consideration the new reality. The new projects would be tied to existing joint projects, which would strengthen the link of the new projects with past efforts and the future so that they would have a wider market. This would enable the projects to develop for the future and would help to increase their capability to compete worldwide. This must be completed in the context of an Arab and Gulf strategy with clear features and specific goals. This strategy should present economic development reports with available options, such as a policy for introducing alternatives to imports or production policies for exports. There might be a strategy that looks inward at self-reliance or at creating a kind of interrelationship of options. Care must be taken that such a strategy is comprehensive and includes all of the sectors of the Gulf economies and coincides with financial and natural capabilities and structural and organizational changes. The strategy should take into consideration organizational assets and new political, security and economic developments on the Gulf scene. It should be aimed basically at achieving the optimum utilization of resources and the provision of a more secure and prosperous future for the people of the states in the region.

## New Role for Gulf Banks

Necessity dictates that economic development policies and efforts in the GCC states take a new course that will lead to the achievement of the minimum requirements of economic security. Through this new course there will be a change in the Gulf economies' consumption patterns, which currently rely almost totally on imports from abroad, and a change in production patterns, which currently rely on oil revenues. The size and purchasing power of these revenues are limited by a number of factors, all of which are outside the scope of the national economy and influenced by unpredictable international political and economic considerations. This new course will concentrate on Gulf material production which can convert imported comfort and prosperity into permanent prosperity that makes available all of the necessities for survival.

Every effort made in this direction is an important step on the right path. The national banks and local financial institutions can play the largest role in forming the Gulf economic reality and charting the courses for the future in which their missions and participation will surpass what they are currently. Now the role of these institutions is limited to financing of



commerce or short-term programs. This can change if the banks take on national projects or joint venture projects keeping in mind that the establishment of industrial projects requires a great deal of technical, legal and administrative effort which may not be available to organizers in the private sector due to a shortage of expertise and limited capabilities. These problems inhibit the emergence of such projects in a manner in which they could obtain the necessary financing from the open market, fulfill the requirements of the concerned offices and start the projects in the proper legal context. The national banks could play a significant role if they combined their efforts with those of the Gulf Chamber of Commerce, Industry and Agriculture. The solidarity of these two authorities to this extent and on matters of this importance would create an excellent climate of confidence in the economic soundness of the proposed project. It would confirm the availability of assets necessary for the success of the project. This is especially true since there are a number of national banks that could participate in the capitalization of the project to the extent that permits it to be implemented and at the same time corresponds with the capabilities of the bank and the size of its resources in a way that does not inhibit the bank from participating in or financing other projects.

Our national banks together or individually can employ their organizational expertise and international ties to contribute to success by offering technical advice and legal, financial and administrative services during both the establishment and start-up stages. The banks can also provide management cadres after project completion. Any of the national banks could withdraw from participation in the project if it so desired after a period of time sufficient to allow the project to strengthen its competitive position, stand on its own two feet, achieve the goals outlined for it and possess the necessities for survival.

#### Encouragement

The new role that we seek the national banking sector to play involves the banks taking the initiative in encouraging industrial projects and abandoning their traditional custom of waiting for the businessman to select the investment opportunities and then provide the banks with a completed study when asking for financing. Our national banks are called on to enter the fields of economic activity since tremendous organizational and financing capabilities have been made available to them in past years with the linkage of their fate with the course of the economy in the Arab Gulf states. They must realize that future planning will be one of the most important and necessary ways to overcome the difficulties of the current phase and immunize the national economy against any negative developments. This must be done through focusing on the production sectors and raising the operational capabilities of existing organizations by improving their financial operations and expanding their bases. In addition, new capabilities must be created through the national banks assuming a pioneering role in these fields. A number of goals for the participants in these projects will be achieved:

1. The bank will collect capital profits by selling its shares in the project after the elements for success are secured.

2. The bank will use the additional resources for new investments that will satisfy the principle of diversification of investments and minimization of risk. Moreover, the bank will be participating in national development.

3. The number of those benefiting from banking services in investment fields will expand and this will satisfy social aspects of economic development.

4. Capital markets in the region will be developed through the provision of many financial instruments and shares that can be traded after productive industrial facilities are established that possess all the necessities for survival and look with confidence to fields that are conducive to expansion and growth.

5. The national banks will overcome the repercussions of the current slow Gulf economic activity and the absence of good lending opportunities through adopting the recommended method of studying and promoting projects.

The current economic situation in the region presents a serious challenge to the Gulf banks and is testing their ability to adapt and accommodate and to increase their ability to withstand the extremely complicated local and international situation. The national banks will not be able to play the role charged to them if there is not a qualitative transformation in their method of operation and their structure. Such a transformation would achieve sound utilization of their financial surpluses in stimulating local investment aimed at supporting production sectors. The following courses can be taken in adapting to the new conditions:

1. Regarding the legal regulations that govern the banks' relations with its shareholders and customers, there is the possibility of overcoming the traditional methods of employing the banks financial surpluses. The banks can avoid the short-term loans aimed primarily at the foreign trade sector and focus on participation in the capitalization of production projects and medium-term financing of production activities.

2. An appropriate environment should be created for the development of the Gulf banking apparatus through the establishment of a comprehensive system of information about this sector. This would represent a firm, stable and organized base of information available to the national banks, financial institutions and members of the private sector. Those interested in the banking sector could count on complete and precise information in formulating their policies, decisions and plans.

3. Attention must be devoted to qualifying and training national cadres that can take over operations and centers of responsibility in the banking sector. They should be able to formulate correct decisions, analyze these decisions in a precise and scientific manner and draw up future plans for banking operations, linking them to expectations for the course of Gulf national economies, which are influenced by the course of events in international markets. The development of the banking sector depends first and foremost on our ability to improve our own capabilities in order to eliminate exploitation, subservience and manipulation and lessen the Western domination of our banking sector. A repercussion of this would be an increase in the

investment of our finances inside the Gulf states and the other Arab countries even if the returns were less than those of investment abroad. In this regard, we support the proposals concerning the establishment of a Gulf institute for teaching banking skills so that qualified national cadres can replace foreign cadres.

4. Much of the writing that discusses financing issues in the GCC states notes that the problem of obtaining financing is much less of a problem than the challenge posed by the absence of successful investment opportunities and the coalescence of investment projects that require advisory expertise that may not be available from our national banks. Therefore, the Gulf banks must create a kind of symbiotic relationship with the consulting houses existing in the Gulf states and work to support and stimulate them so that they can play their proper role of preparing technical and economic feasibility studies. Perhaps it would be useful to consider studying the possibility of establishing a Gulf consulting organization that provides all studies for the various economic sectors--industrial, agricultural, commercial and services. In this way its activities would not be restricted to a particular sector as is currently the case with existing consulting organizations. In addition to this, the proposed consulting organization could devote itself to serving the private sector in the Gulf. This differs from the focus and mission of existing consulting organizations which primarily serve the government sectors and are never at the disposal of private sector projects.

5. The Gulf banks differ in terms of size and financing capabilities just as the Gulf states differ in the capacity of their economies and their absorptive ability. The current economic situation in the Gulf region does not justify the establishment of new financial institutions in view of the general retraction of economic activity. There is a need, however, for the expansion of some existing financial institutions by increasing their capital, especially since some of them operate with capital that does not match their stature in the marketplace. Increasing their capital would provide these banks with the capability to participate effectively in the fulfillment of production projects without this affecting the extent or quality of their ongoing operations or reducing their share of the market. On the contrary, this would create new ties and an expansion of their field of operations.

6. Control of capital markets must be improved and regulated in order to develop them and create the necessary dynamics for the absorption of expected and existing issues of financial instruments without this causing harm to the economic system. This would bolster the atmosphere of economic freedom that represents the cornerstone of the Gulf economies.

Precise regulation and oversight of capital markets would prepare an atmosphere of confidence in these markets and provide for the absorption of new issues and stimulate subscription to them. In order for the Gulf commercial banks to fulfill this proposed mission, their efforts must be intertwined with those of the Gulf governments as represented by their central banks and economic administrations, and those of members of the private sector as represented by the Gulf chambers of commerce and industry. These efforts must be aimed at reviewing the texts of laws that regulate the activities of commercial banks and currently prevent them from engaging in certain types of

long-term investment activities due to the delicate financial situation of the banks and the necessity of monitoring their liquidity. This prompts the banks to concentrate on short-term investments that mature within a single fiscal year. In addition, bank management practices are aimed at burnishing the bank's image before the public by presenting annual balance sheets that do not have entries that would affect the calculation of liquidity indicators or performance evaluation. In view of the restricted practices and the law, our national banks have not participated positively in bolstering productive activities in the Gulf. To induce the banks to undertake new experiments in financing long-term investments the government economic administrations and central banks must be more positive in supporting commercial banks that go beyond traditional practices and undertake production projects. This support can take two courses: first, permitting the commercial banks to engage in certain productive investment activities by amending the laws that regulate bank activities or modifying the banks' basic structures and, second, promising that the central banks will help the banks that are affected by liquidity problems as a result of their involvement in productive financing.

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CSO: 4404/368

REGIONAL AFFAIRS

FLOW OF SOUTH ASIANS TO GULF CONTINUES

East Burnham ARABIA: THE ISLAMIC WORLD REVIEW in English May 85 pp 72-73

[Text]

 Muslim workers from South Asia, Pakistanis, Indians and Sri Lankans, constitute a significant proportion of the great wave of international labour that flowed into the Gulf States on an unprecedented scale after the oil price boom in 1973-4. Within two years, the migrant workforce in the Gulf totalled 1.6 million and it was at this time that the South Asian workers began to expand their influence on this market; the 205,000 Pakistanis and 141,000 Indians evident in 1975 stood to benefit from the perceptible decline in intra regional Arab migration.

However, the inflow of international labour is dependent on political, social or economic conditions. Moreover, the decline in oil revenues, prices and output obviously threatened to slow the hectic pace of expansion and invalidate the need for so vast a migrant intake.

The bid to analyse the migratory trends in this region to the present day is hindered by a shortage of exact statistical data which is indicative of the sluggish reaction to this vital phenomenon by the Arab states. Nevertheless, the latest research findings demonstrate conclusively the invalidity of fears of a sizeable cut in the flow of South Asian labour to the region.

The statistics reveal the existence of several novel and significant trends pertinent both to the workers in question and their host countries. The decline of the circulation of Arab labour which itself permitted the South Asians to grow so swiftly to 23 per cent of the workforce by 1980 has continued unabated. Indeed the proportion of Arab labourers has slumped dramatically from 65 per cent to 45 per cent between 1975 and the present day.

This trend naturally played a major role in the continued rise in the numbers of

Pakistanis and Indians, which are now estimated to stand at 446,000 and 291,000 respectively. However it is vital to emphasise that it is not this group that has most fully benefited from the decline in inter-Arab migration. It has been the "Oriental" South East Asians such as Filipinos and Malaysians who have made a staggering increase over the last few years; in 1975 they formed a mere one per cent of the workforce: they now account for 11 per cent of an estimated four million workers in 1985. They therefore present a clear challenge to the South Asian migrant labour which, despite its numerical expansion, did not increase substantially as a proportion of the overall workforce, remaining at approximately 13 per cent Pakistani and 9 per cent Indian.

It is nonetheless clear that the Gulf states still require vast inflows of international labour in spite of the marked economic slow down of the early 1980s. Although their production of oil fell from 31m barrels a day in 1979 to 15-18 million in 1980-1, most Gulf states have not deemed it necessary to resort to severe retrenchment and rationalisation. Even Kuwait which had experienced a financial crisis in 1982 following the collapse of the parallel stock market, reached a high state of development and displayed some xenophobic tendencies, has not stopped the influx of labour. Like Saudi Arabia, it has chosen to consolidate, stabilise and concentrate on projects already underway. Growth has thus been sustained and the trend towards higher expatriate labour ratios looks set to last up to the 1990s; one expert estimates the ratio in Saudi Arabia to rise from 53 (1975) to 62 (1990) with similar increases in Kuwait and UAE. These nations are dependent on migrant labour for their

growth and the impressive economic and security cooperation measures undertaken by the Gulf Cooperation Council to date permit a sense of confidence in their ability to weather the current storms and, making analogies with the Nigerian oil crisis and the fate of the migrant workers ensnared within it wholly inappropriate.

A further trend which has significant future consequences for the South Asian migrant force is the marked increase in the specific demand for skilled and professional expatriates. In 1975 the unskilled formed 47.2 per cent of the workforce while the skilled formed 8.7 per cent. By 1980 the former fell to 44.6 per cent as the latter rose to 10.2 per cent and both trends have persisted over the last five years. Though Pakistan and India have "mixed" labour pools, the vast majority of migrants work in the unskilled sector. The trend may, however, be overcome by a major side effect of the mass Arab migration; the outflow of labourers from North and South Yemen and Jordan left these states with serious manpower shortages. It appears that Pakistanis are joining Egyptians in moving there as "replacement migrants"; the primary migration is overlaid by a secondary, compensatory migration. This process would ensure a certain flow of South Asian labour to the Middle East as a whole but the discrepancies between the wage levels in Jordan and the Gulf states are certain to make the latter the primary target for their migration.

Having hitherto focused on potential or actual handicaps facing South Asian migrants it is important to rectify the balance and highlight the major factors that weigh in their favour and account for their continued growth in the Gulf states. The most obvious advantage is the tie of Islam; the religious and cultural bond has made Muslims from the Asian subcontinent welcome visitors to the Middle East. Their cohesiveness and relative isolation from the indigenous population has so far diffused the threats of any xenophobic counter reaction.

Many migrant workers, particularly in the UAE, have attained managerial posts in the powerful private sector. This is significant, for they will usually choose familiar labour intensive methods of production rather than capital intensive technological methods. Though

productivity levels have clearly suffered, this fact ensures the continued stream of cheap Asian labour to the Gulf until closer rationalisation programmes are enacted.

The cheapness of South Asian migrant labour is another advantage. The employment agencies of Pakistan and India were quick to exploit the fact that their mixed pool of labour undercut their rivals in 1973 and this ensured their swift rise to a position of central importance in the economies of UAE, Qatar, Bahrain and Oman; South Asians soon formed sizeable proportions in all occupational spheres except agriculture.

It is also evident that Pakistan, unlike several other labour exporting countries, will take no measure to stem the flow of migration at its source. On the contrary, its laissez-faire open door policy is an integral tenet of a major foreign policy objective, that of closely linking Pakistan to its fellow Islamic nations. This commitment is exemplified by the presence of as many as 30,000 Pakistani military and naval personnel in the Gulf.


The material benefits of work in the Gulf states are especially striking for South Asian workers. Wage levels are as much as 10 times higher than the domestic rates; the average production worker in 1980 earned \$2,500 and an army major would receive 70,000 rupees a month overseas compared to 3,000 rupees at home. The government reaps over \$2bn from workers remittances. This influx of capital has had a more pronounced impact on the economy than the advent of the green revolution and could help remove the worst manifestations of poverty if it was more effectively channelled into investment.

There are thus a wealth of factors that weigh in favour of South Asian labour migration to the Gulf. They have consolidated their grip on a sizeable proportion of the market and though the dramatic upsurge of oriental South East Asian labour presents a serious challenge, the continued economic growth of the Gulf states, decline in inter Arab migration and the extent of the dependence on foreign labour would suggest that the complex and significant phenomenon of South Asian migration to the Gulf will persist throughout this decade.

DIVERSIFICATION OF ASSETS GIVEN HIGHER PRIORITY IN GULF

East Burnham ARABIA: THE ISLAMIC WORLD REVIEW in English Jun 85 pp 61-62

[Text]

 A study prepared by Abdulwahab al Nammar, governor of the Central Bank of Kuwait, has revealed interesting facts about the current accounts surpluses and the size of demand on reserves in the Gulf states. According to this study, only Saudi Arabia and Kuwait maintained sizeable oil returns, and Kuwait was the only country to have a remarkable surplus in its balance of trade. Current accounts witnessed three different phases of development during the period 1973-80. First was a big increase in the commercial surplus (1973-74), then the fluctuation of oil prices and the increase in government spending leading to a fall in current accounts (1974-78). Lastly, in 1979-80 there was the second big rise in oil prices, resulting in the boosting of the current account surpluses in the Gulf.

Dramatic changes took place by the beginning of the 1980s. World oil consumption figures dropped by 50 per cent (1980-81), 7.5 per cent in the industrial world alone. Demand on Opec oil fell by 28 per cent when consumers reacted by seeking alternative energy sources (1979-81) and Opec's share of the international market fell from 48 per cent to less than 40 per cent.

Nammar explained that the Gulf states' demand on reserve assets depends, *inter alia*, on import finance in the case of a temporary drop in exports. Otherwise some policy changes should be introduced, such as the rationing of spending or encouraging exportation. He dismissed the idea of keeping assets in the form of liquidised reserve without any real investment as being against possible long-range developments. To depend on a single export commodity, oil (99.8 per cent of total exports from Saudi Arabia, 94.5 per cent from Kuwait and 94.9 per

cent from Qatar) would require higher reserves for imports. Such reserves are also important for subsidising the Gulf currencies.

There are a number of options, according to Nammar, that can be adopted by the Gulf states regarding their oil production. Broadly speaking, they could either increase immediate production of oil to finance current consumption and investment or keep oil unproduced under the ground as a form of investment for future consumer commodities and capital. The feasibility of the latter option depends heavily on future changes in oil prices, and would provide no diversity in the economies of the Gulf states. The Gulf states should pay attention to their rates of national savings, which are determined by three factors; the expected duration of guaranteed oil reserves, the rate of real investment return, and the rate of recommendable savings after the exhaustion of oil. The policies of the Gulf states should therefore be summed up as follows:

- fixing the annual amount of saving;
- dividing such an amount between local and foreign investments;
- the above division should depend on the real indicators of returns in the long-term;
- granting the administration of foreign investment to a single, central organisation to guarantee a comprehensive strategy and balanced commercial holdings.

The net borrowings of the oil-exporting countries increased immensely between 1974 and 1978 but fell in the following two years from \$16bn to \$7bn in 1980, due to fluctuating current accounts. The rate of borrowing was increased again in 1981 due to a fall in oil earnings, but the total net withdrawals from foreign loans remained

low in 1980. This was because the deficit rate of current accounts was still being met by prescribed reserves. In the following years the situation was reversed because of the total increase in borrowings by the oil-exporting countries.

The total foreign assets of the Opec countries is not known, but it is estimated that about 25 per cent of that total is in the possession of commercial banks and other private sector institutions. The rest is kept by the public sector as reserves and assets. Most of the Gulf oil states' surpluses are in the form of shareholdings, and most of these went to industrial countries, including European stock exchanges.

The administration of current account surplus in Saudi Arabia is largely the responsibility of the Saudi Arabian Monetary Agency (SAMA). Its speciality is the administration of foreign assets, with a consultancy department employing foreign expertise. After deciding on current and development spending, SAMA takes charge of the surpluses kept in the form of deposits with the major banks, or as bills of exchange in the industrial world. Bank deposits form 30 per cent and the bills, mostly government bills, form 60 per cent. The balance is invested with international and local institutions or given as loans. Some of SAMA resources are invested in the US special employment market, with a risk limit of seven years.

Regarding foreign currency investment in western countries initially SAMA did not show much interest in this area. Later, because of the weakening of their currencies *vis-a-vis* the dollar, Japan and western countries adopted a more relaxed policy and in 1980 a DM5.2m agreement was reached to sell short-term West German bonds, at rates slightly lower than the market, to the Saudi government. SAMA also bought Japanese bonds worth \$2.4bn. Some non-American companies were given loans by SAMA. A \$50m loan went to a British chemical company and \$50m to the Japanese Komatso company. The main features of SAMA investments abroad could be summed up as follows:

- Saudi diversity in non-dollar assets has always been less than expected.
- SAMA bank deposits in international bonds abroad are estimated at \$50bn in 1985, half of which is in Europe.
- The greater part of foreign assets is directed towards short-term financial investments.

In Kuwait, the ministry of finance is the body responsible for the administration of foreign assets and it has an investment bureau employing experts for that purpose. The ministry is assisted in employing assets abroad by some public

and private establishments, such as the Kuwaiti Company for Commerce, Contracting and Investments (85 per cent owned by the ministry) and the Kuwait Investment Co. of which the ministry is a 50 per cent shareholder). The ministry also owns 49 per cent of the Kuwait and Middle East Bank. The ministry established the Kuwait Investment Bureau in London in 1964. The Central Bank of Kuwait handles the administration of the liquid reserves, and Kuwaiti foreign assets are equally divided between normal shares and loan vehicles and some real estate.

According to some sources two-thirds of Kuwaiti investments are in the US. Of the leading 500 US companies, Kuwait owns between \$1m to \$50m-worth of shares in almost every one. Despite the high secrecy involved in this area, leakage from the files of the civil aviation authority has shown that the Kuwaiti government acquired 80,000 shares (1.3 per cent) in the international Seaboard company and over 120,000 shares in the Airborne Freight Corporation in 1978, among other examples. Kuwait also sets aside an annual proportion of its income as national reserve for future generations to use in foreign investments.

In order to minimise investment risk and increase return, the Gulf states' foreign investment strategy should not be dependent mainly on commercial bills, but rather should try to diversify in the following fields:


- Investment currencies should be diverse in order to decrease risk, and geographical diversity should also be taken into account in order to reduce the risk of economic and political entanglements.
- Because of their dependence on imported products and services Gulf states' foreign investment should be employed in the very sectors which are sources of such imports, whether they be final or intermediate products. This approach could minimise the risk of increases in import prices.
- The Gulf states are in a good position to develop the petrochemical industry to their great benefit.
- Investment in foreign institutions specialising in the production of Gulf imports commodities and services would help provide the trained and expert cadres in high demand in the region.
- The acquired energy expertise in the Gulf could be internationally invested.
- An economic and financial research unit should be formed either individually in every state or jointly. Such a unit could provide advice to the investment bodies on the international economic, commercial and financial developments.



RELATIONS BETWEEN GCC, EEC SEEN IMPROVING

East Burnham ARABIA: THE ISLAMIC WORLD REVIEW in English Jun 85 p 63

[Text]

 A thaw between the Gulf Cooperation Council (GCC) and the European Economic Community (EEC) in general economic cooperation, and especially the issue of tariffs on Gulf petrochemical exports to the EEC, seems to be on the way.

EEC Commissioner Claude Cheysson, in an interview with Opecna, has predicted that a "comprehensive agreement" on the methods and objectives of cooperation and trade should be concluded by the two organisations by the summer. On the specific issue of petrochemical exports, Cheysson predicts the issue will be solved in the next three years.

Similarly, Saudi Finance Minister Muhammed Abalkhail in a statement to the state-owned Okaz news organisation has played down the issue: "International commerce grows on the basis of mutual interest and understanding. Talks between the EEC and the GCC on petrochemicals are proceeding on the right path. There is a long history of commercial cooperation between the European and Arab countries."

Only last month Saudi Minister of Industry and Electricity Abdul Aziz Al Zamil, speaking at an industrial development conference in Bahrain, declared the EEC attitude towards free trade in petrochemicals as "one of the greatest constraints" to Saudi industrial growth.

EEC strategy seems to have changed. It recognises that Gulf petrochemical plants can get "a far better economic return than the plants we can manufacture in Europe. So it is logical that eventually, petrochemical production will be

transferred to that region and many of our plants will have to be closed down. It is a shame that we did not face this reality and now we come to the duplication of production, which will be very costly because Gulf methanol is 20 per cent cheaper than ours."

At the same time it is trying to involve the United States and Japan in any future agreement with the GCC. An internal European Commission Report, which was submitted to the European energy ministers' conference in Brussels at the end of March, urges the EEC to consider raising import duties on refined oil products during this decade unless the United States and Japan absorb a greater share of the output from the new plants in the Middle East. According to EEC Director General for Energy Christopher Audland, the Arab states affected would be Libya, Kuwait and Saudi Arabia. The EEC would only be able to absorb 20 million of the expected 50 million tonnes of petrochemical exports which the "big three" would unload in the EEC over the next two years. EEC primary annual capacity has slumped from 845 million tonnes in 1977 to an estimated 570 million tonnes by mid-1985.

The American response is important, for some of the smaller producers there have already been lobbying the House of Ways and Means Committee in Congress to impose tariffs on new producers from Latin America. In fact the committee did impose a 10 per cent tariff on Mexican methanol last year with Venezuelan products also a target. The committee also recommended the use of tariffs and quotas against those new producers whose industries are heavily subsidised.

European petrochemical producers, at the same time, have set up a new producers' association called the Association of Petrochemical Producers in Europe (APPE), comprising thirty major companies, to lobby more for the European industry and to promote also the economic and social role of the petrochemical industry in Europe. The companies argue that they are forced to fight hard for their share of a static petrochemical market against the growing entry of new producers, mainly from the Middle East and Latin America.

The EEC and GCC have been holding a series of meetings by so-called "dialogue committees" since November last year to explore means of defusing a confrontation between the EEC and the GCC, since the former imposed a 13.4 per cent tariff on Saudi methanol exports in April last year.

Meanwhile, Petromin and Mobil have given the go-ahead for the building of a \$160m lubricating oil refinery, Luberef 11 in Yanbu, Saudi Arabia, which would process up to 1.5m barrels a day (b/d). The refinery will be owned by the Petromin Lubricating Oil Refining Company, a joint venture between Petromin (70 per cent) and Mobil (30 per cent).

The new Luberef plant will increase the company's base stock oil-refining capacity to over three million b/d per year, and its products will be both for domestic and export markets. The contract to build the plant has gone to Chiyoda Petrostar of Japan and the two partners are considering the construction of a \$40m lube blending plant, Petrolube, to produce one million b/d per year.

The news came in the wake of the cancellation in mid-March of two Petromin contracts to build oil refineries at Qasim and As-Shuqaiq, which were awarded to US companies Bechtel Corporation of San Francisco and Foster Wheeler Corporation. Bechtel alone stands to lose \$2bn and both companies have filed for penalty payments.

CSO: 4400/198

FINANCIAL IMPLICATIONS OF VACATIONING OVERSEAS WORKERS

Cairo AL-AHRAM in Arabic 3 May 85 p 3

/Article: "Summer Vacation in Homeland's Bosom; What Do 2 Million Egyptians Do to Country's Life; What Have We Prepared to Employ Their Savings and Why Do We Fail to Attract the 1,749 Million Pounds They Spend in Purchasing Their Needs from Foreign Markets and a Similar Sum They Spend in Our Free Markets?"

/Text/ The expectations say that over the next few days 2 million Egyptian citizens, out of a total of 4 million Egyptian emigrants working outside the country, will return home to spend their summer vacation.

More than one question accompanies the return of these Egyptians to their homeland: what is the impact of this enormous number on life in the country and what have we prepared to employ their savings, which amounted last year to 2,814 million pounds in cash and in-kind remittances?

Another more urgent question is: why have the Egyptian markets failed to attract 1,749 million pounds in hard currency spent by the returning Egyptians to purchase their needs which they bring into the country whereas purchases can be made in the Egyptian free markets?

The number of Egyptians working abroad has, according to Muhammad Khalil al-Nimr, the first undersecretary for emigration and the affairs of Egyptians abroad, amounted to nearly 4 million citizens, most of whom have emigrated temporarily to the Arab countries for work, with some emigrating to obtain the citizenship of the country to which they emigrate.

Regarding the Egyptians likely to return to Egypt to spend their annual vacations, the first undersecretary of the Ministry of Emigration said:

"It is expected that the number of Egyptians returning this summer from the Arab countries in which they work, including teachers returning to spend their summer holidays and others returning to spend the blessed month of Ramadan and al-Fitr holiday with their kinsmen and in their country, will amount to nearly 2 million citizens. There is a third consideration, namely the extremely high temperatures in the Gulf states and in the Kingdom of Saudi Arabia during the summer. All this is in contrast with emigrants to the west who prefer to spend their vacations in Egypt during the winter.

According to a report by the Central Bank, the remittances of Egyptians working abroad, both in cash and in kind, have increased. In 1984, cash remittances rose by 134 million pounds over the preceding year to reach 1,065 million pounds whereas in-kind remittances rose by 352 million pounds to reach 1,749 million pounds in 1984. Thus, the total sum of the remittances of the Egyptians working abroad amounted to 2,814 million pounds.

Muhammad Mahmud al-Qazzaz, the board chairman of the Bank of Egypt, said that the bank deposits of the Egyptians working abroad represent no less than 25 percent of all annual bank deposits. However, al-Qazzaz pointed out three important indicators:

These Egyptians are good consumers due to three factors: first, their relatively high purchasing power; second, psychological, historical and social factors; and, third, the money market which is still weak due to the limited variety of stocks and the feeble stock activity. As a result of these factors, these citizens put their funds in the market by purchasing commodities and this contributes to an increase in inflation. As for their impact on investment, it is still very limited. Consequently, the question is: how can we invest the funds of Egyptians working abroad?

The answer comes from 'Adil 'Abd-al-Baqi, who says that better organization is needed to invest these funds in agriculture and industry.

He believes that it is more convenient that lands be reclaimed and prepared for cultivation by the ministries of agriculture and land reclamation and then be advertised for sale during the period in which these Egyptians return home. At the same time, the land reclamation firms should make it known that they are prepared to undertake this task in accordance with clear conditions and specific costs. The same applies to industry. In the industrial sphere, the banks, the Investment Authority and the joint industrial firms can focus their advertising on the new projects, provided that both the projects and their benefits are made clear, that the outcome of the feasibility studies is pointed out and that the date on which the initial profits are expected to be disbursed is stated. Thus, spheres of investment beneficial to the national production will become available to the Egyptians working abroad.

#### Plan to Invest Funds

Muhammad Khalil al-Nimr, the first undersecretary of the Ministry of Emigration, said: "We do actually have a plan to invest the funds of Egyptians working abroad. A company called the Company of Egyptians Working Abroad has been, in fact, formed for the purpose. These Egyptians have contributed 40 percent of the company's capital, with the rest covered by the banks. It is a surprise to the Egyptians working abroad that this company has already started to operate and that it has subsidiaries, all of which are progressive actively." He also said: "There is another point. We are exerting efforts to set up a bank for the Egyptians working abroad--a bank emanating from the mother company, with its main office in Cairo and with other branches abroad--so that it may act as the legitimate channel for transferring these Egyptians' savings and investments to Egypt."

But a question arose: why do the Egyptians working abroad spend 1,749 million pounds in free currencies in foreign markets and how can this sum be channeled toward the Egyptian free markets?

The first undersecretary of the Ministry of Emigration pointed out a number of reasons that make the Egyptians home inclined to purchase from foreign markets:

The free markets do not supply the goods these Egyptians have become accustomed to purchasing.

A person purchasing a certain commodity may be surprised to find a different commodity delivered to him.

Some buyers may demand that the goods they purchase be delivered to their addresses whereas the companies do not make such deliveries.

Meanwhile, Maj Gen Kamal Muhammadi, the chairman of the Cairo International Airport Authority, said that purchases abroad cause unnecessary exhaustion and problems to the passengers. The planes are crowded, not to mention the costs of shipping, the problems of transportation and the loss of luggage experienced by some passengers between the port of embarkation and the port of debarkation because the passenger at times flies on a plane other than the one carrying his luggage. Therefore, purchasing from the Egyptian free markets is more comfortable to the Egyptian returning home, not to mention the fact that it facilitates the airport's operations. In the final analysis, purchasing from the Egyptian free markets makes it more comfortable for the airport authorities on the one hand and for the arrivals on the other, especially in the busy seasons which are crowded with arrivals and with those meeting them.

But why have the free markets failed to attract 1,749 million pounds?

Wafiq Tharwat, the head of the free markets sector of Air Egypt, admits that some of the mistakes pointed out by the first undersecretary of emigration have actually taken place, not in the markets of the Air Egypt Company which are controlled by the Ministry of Tourism but in the Egyptian Free Markets Company which is controlled by the Ministry of Economy. Tharwat said: "Insofar as we are concerned, we have none of these problems. We have supplied all the goods that arriving Egyptians may wish to buy, including manufactured goods, such as refrigerators, ovens, heaters, etc., semi-manufactured goods, such as kitchen utensils, and consumer goods, such as food, drinks and clothing." Tharwat added: "Our season begins in May. For our part, we have supplied all that the arrivals need, whether in terms of quantity or of variety. We also study the prices constantly so that the final price may be lower than the price in the countries around us."

Wafiq Tharwat also pointed out the benefits of purchasing from the free markets, especially the guarantees, the security, the maintenance and the availability of repair shops.

The customs general director said that the Customs Agency offers facilities for the purchase of manufactured goods, including the certificate permitting purchases from the free market companies (under the 100 percent tax provision, even if the tax percentage is higher than this), within 2 months of returning home. If 2 million citizens are on their way to Egypt, the question that arises concerns the impact of this number on numerous sites in the country.

Insofar as passports are concerned, Maj Gen Mukhtar Mu'abid, the general director of the airport's police department, said: "The department has already made the preparations to receive the returnees. Service at the airport goes on for 24 hours and vacations are canceled during the summer. There are now 50 officers in the passports office and this number is sufficient. The workhours have also been increased by 2 hours before the start of the official work time and by 2 hours after it.

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CSO: 4504/360

LIBYA

DANGERS OF SECTARIANISM DECRIED

Newspaper's Stance Criticized

Tripoli AL-JAMAHIRIYAH in Arabic 7 Jun 85 p 10

[Editorial]

[Text] Those who are trying to establish a connection between the Shi'ite Amal gang and the Iranian Revolution are barking up the wrong tree. There are several reasons for that. Most importantly Iran knows better than anybody else that the bloodthirsty Nabih Birri is a man of no principles whatsoever. He is the man who keeps going back and forth between Arab Ba'thists and other political factions because he has a desire to be visible, to gain recognition and to stand out distinctly. Another reason is that the Iranian Revolution is an Islamic revolution, and Islam is not dominated by denominations. Denominations are not intrinsic to Islam; they are alien to the nature of that tolerant religion.

We have been supporting the Iranian Revolution and backing it because it came about to liberate the Muslim people of Iran from the Shah's injustice and from the domination of Savac and U.S. intelligence.

Let us go back to our starting point and affirm that establishing a connection between the Iranian Revolution and that assassin is absolutely illogical.

But that raises a question in our minds now, after more than 19 days of total destruction was inflicted on the Palestinian people in the refugee camps.

To us what is really questionable is that attempt to intensify Shi'ite presence through the sixth and eighth brigades, and especially the 87th battalion. These units are vying with the Fascist troops of the Amal movement to slaughter Palestinians. This clearly indicates that there is a plot to have Shi'ite forces strike Sunnis in an attempt to crush the Sunnis, chiefly the Palestinian forces. And so the plot continues, and sinister forces continue to move in the dark.

We have never been convinced that the Iranian Revolution is playing a suspect role in Lebanon. In fact, we have been trying to protect that revolution's opinion, and we tried to demonstrate that by inviting Iran to send volunteers to fight Zionists in south Lebanon. But some people interpreted this gesture as an Iranian attempt to show exclusive support for Shi'ites because they were

subjected to prejudice for many years before the revolution in Iran when the Shah used to send his spies in their midst. Many of those people are now decision makers in the Amal movement. We've never been convinced that the Iranian Revolution is playing a suspect role in Lebanon even though we believe that that tendency which is trying to turn Islam into denominations, factions and parties is insignificant.

In the past days KAYHAN AL-'ARABI has demonstrated its enthusiasm and its zeal for defending this Nabih Barri. It seemed to us that the newspaper was reporting an official Iranian opinion on this dirty war that Amal has been fighting against Palestinian refugees.

There are many heated questions surrounding KAYHAN AL-'ARABI, particularly questions about its recent position on what is happening in Lebanon. Many of those positions serve that Persian revival which that newspaper is promoting.

The positions remain clear.

There may be another purpose behind what is being said now, but everything that is being said now indicates that the purpose behind it is the same that KAYHAN AL-'ARABI has for making those statements it is making, and so on.

Why then did KAYHAN AL-'ARABI take that stance and announce through its analyses that it was siding with the man who was carrying out the Zionist enemy's policy in Lebanon? We all know that immediately after its revolution Iran declared the embassy of the Zionist enemy in Tehran the embassy of Palestine. Iran also received representatives of those bygone days as though they were major figures ranking with Arab and non-Arab rulers.

What was the reason for that stance?

We believed that the liberation of Palestine and Jerusalem was one of the Iranian Revolution's objectives; one of the revolution's slogan states, "Jerusalem is for Muslims, and it must again become a Muslim city."

What is the reason for that, KAYHAN AL-'ARABI? Who is standing behind that newspaper?

Has there been a change in Iran's policy toward Palestine, or is KAYHAN AL-'ARABI barking up the wrong tree? Does this posture constitute a random blow with which elements that have infiltrated the Iranian Revolution are trying their hand at falsifying facts and fabricating false rumors?

Faced with such an endless stream of inconsistencies, thousands of questions come to mind.

There was an unequivocal failure to come out with the truthful and vital decision that we expected would champion the Palestinian Revolution and the Palestinian cause; that decision turned out to be a random stab in the back. Although at first glance it seemed otherwise, that stab in the back was administered in a shaky and shameful manner.



26 July 1985

We would like to go on asking questions, but the questions we've raised here are enough.

Let us wait a while; it may turn out that what was stated in that newspaper was stated inadvertently, or it may have been maliciously introduced by elements of Savac who planted such statements in an Iranian newspaper that is affiliated with an Islamic revolution we've been protecting and supporting. We've been backing this revolution because it is a revolution against injustice, prejudice, tyranny and exploitation. We've been supporting it because it is a revolution that believes in God and His messenger and does not have faith in the United States and in Zionists.

This is why we've been supporting the Iranian Revolution, and this is why we must blame it. And who else can blame the Islamic Revolution of Iran other than that revolution which put all its capabilities to work for that revolution and stood by its side inspite of the whole world?

But is this what we expected in return from the Iranian Revolution?

We can almost state emphatically that this is not what we expected.

We did not expect this because we know who Nabih Barri is. We know who is that man whose praises are being sung by KAYHAN AL-'ARABI!

Although such division among people in Islam is loathsome to us, we know that a Shi'ite canton will not be established in Lebanon even if all the Shi'ites in the world were to support it.

We know that the next round will be against Nabih Barri and his gang and all those disreputable gangs like his. It seems quite clear now that what is being carried out and what KAYHAN AL-'ARABI has been cheering about will not be that which the deprived throngs have been hoping for. [Translator's note: There is a pun here on "Amal", the name of the movement led by Nabih Barri and "amal" meaning hope.] What these deprived throngs have been hoping for will fizzle out and come to nothing. Shi'ites know better than any Iranian does that there will be no cantons and that it will be neither Barri nor Baqraduni who will keep them away.

Activist forces in Lebanon--Sunnis as well as others--have to become aware of the need to join forces with the Palestinian Revolution whose scores of martyrs will be the ones to save the integrity that has been lost.

Or are we on the wrong track?

#### Sectarianism Deemed National Threat

Tripoli AL-ZAHF AL-AKHDAR in Arabic 24 May 85 p 1

[Editorial]

[Text] The nation is in real danger now. Balkanization and sectarianism are imminent. As a nation the only thing we can do is resist. The present threat of

sectarianism is real and it is realizing U.S. strategy in the Arab region. This means that Egypt will be partitioned into two states: an Islamic state and a Coptic state. After that it will be partitioned into mini-states: a Nubian mini-state, a mini-state in the Western Sahara, a mini-state in the Eastern Sahara, a mini-state in the Nile Valley, and so on. After Shi'ites and Sunnis are divided, divisions among others will begin. Shi'ites will be divided into 100 factions so that not all of them would be supporting Iran and lending it power.

Speaking of Iran, I think that some Arab Shi'ites are hurting the Iranian Revolution when they proclaim Iranian slogans, fly Iranian flags and raise pictures of Khomeyni and other Iranian leaders. When Arab Shi'ites do that, they portray the Iranian Revolution as a sectarian revolution. Consequently, they turn anyone who is not a Shi'ite against that revolution.

This is a mistake. It is a mistake for Arabs to appear to be proclaiming Iranian slogans and cheering on the imam to show us, Arabs, that the Iranian Revolution is a sectarian revolution for Shi'ites or for followers of the Ja'fari denomination. It follows that we would reject that revolution because we are not Shi'ites, we are not followers of the Ja'fari sect, and we are not Iranians. And we would then conclude that the Iranian Revolution is a sectarian revolution. What happened in Iran 2 days ago when Iranian flags instead of Lebanese flags were flown may be cited as evidence that the Iranian Revolution is a sectarian revolution. How can something like that happen? Has Lebanon turned into an Iranian province? Is this an invasion then? How is this different from the time when the Israelis occupied south Lebanon or when the Americans sieze any piece of Arab land? Iran must not be deceived by such a course because it will lose its most valuable Arab allies. The Iranian Revolution is supported by its Arab allies because it is an anti-imperialist revolution for liberation. We do not support the Iranian Revolution because it is a Shi'ite, Ja'fari or sectarian revolution.

Now, sectarianism is the Arab nation's foremost enemy, after the Israelis and Americans. This is because sectarianism paves the way for an Israeli victory; and it paves the way for the American penetration of the Arab homeland.

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CSO: 4504/387

SUDAN

DEFENSE MINISTER BRIGADIER 'UTHMAN 'ABDALLAH INTERVIEWED

London AL-DUSTUR in Arabic 17 Jun 85 pp 14-16

[Interview with Brig 'Uthman 'Abdallah, defense minister, by Khaldun al-Sham'ah; "I Am Not 'Abd-al-Nasir, and We Have No Foreign Bases"; in Khartoum, date not specified]

[Text] "The problem of the south takes precedence over the problem of the economy because solving the problem of the south would mean saving 2 million pounds a day for Sudan!"

"No blocs have been formed within the armed forces where there was total unanimity before the revolution broke out."

AL-DUSTUR conducted this interview with Brig 'Uthman 'Abdallah, Sudan's minister of defense, but hours before it was sent to press, rebel leader Col John Garang launched an attack that brought his troops to the Upper Nile area in south Sudan.

The minister of defense had appealed to Col Garang through AL-DUSTUR to negotiate and end the dispute.

AL-DUSTUR questioned Brig 'Abdallah about this and other fundamental problems that have to do with security and military problems facing Sudan. Brig 'Abdallah, whose personal charisma has been less than a boon, has been described by some journalists as Sudan's 'Abd-al-Nasir. Their purpose in doing so is to suggest that Brig 'Abdallah intends to carry out a venturesome military operation against the recent uprising.

[Question] Brig 'Abdallah, can you talk to us about your role in the Rajab uprising, especially since some Arab newspapers have called you Sudan's 'Abd-al-Nasir?

[Answer] Let me begin by answering the latter part of the question: the news that has been reported about my being the revolution's champion. It is all the people of Sudan who are the revolution's champions, and I am one of the people. My role was no different from the rest of the roles that were played by fellow citizens of Sudan whether they serve in the armed forces or are involved in Sudan's political scene. Before the 15th of Rajab uprising, I held the position

of director of military operations. By virtue of that position I was in charge of running many functions that had to do with security matters in the country, especially during the period from 26 March until the uprising, when the armed forces sided with the uprising. As a result of being in that position, I was aware of much information about the course of events.

My preliminary assessment of the events, based on what I knew about political and trade union activities, led me to realize that what had happened was not a passing crisis. I realized that this was a political crisis that required a radical solution. I considered the matter with many of my friends, who are officers, and we talked about the disaster we could have in the country if the demonstrations were to continue and if the political strike, which began on a small scale, were to expand and involve all the state's strategic facilities. We concluded that the armed forces had to play a role and that they had to side with the people and not against them. The armed forces had to make a choice: they were to take either the people's side or the individual's side.

We knew that in times of adversity the armed forces would not side with an individual regardless of his power and position. On that basis we communicated with our colleagues in the armed forces, and we became convinced on Wednesday--two days before the armed forces joined forces with the people--that there was total unanimity within the armed forces that what was happening now on the political scene could only end by overthrowing the regime. Therefore, we reported that unanimity to our fellow officers in the command, and we informed them that the army was now on the people's side.

What was left after that were technical matters that had to do with executing the process of having the army join forces with the people. Saturday was chosen. We chose Saturday even though the situation did not require the operation to be carried out that day. We knew that there would be a large march going to the People's Palace, and we knew that the marchers would stay there regardless of the cost until the fall of the regime was declared. Therefore, Saturday was the day we chose to announce that the army was joining forces with the people. We chose that day; it was not a coincidence.

After agreement was reached on everything, we began making preparations for what we thought the first bulletins that should be announced to the people should say. We began to consider how this popular movement can be utilized so that its goals, which are defined in the constitution, can be achieved. Therefore, Friday night was a night of activity and work. Preparations were made for everything that the revolution was required to achieve on the first day, and plans were made so that all potential security matters could be confronted.

[Question] What is the relationship between the Ministry of Defense and the people's armed forces? Does the Ministry of Defense oversee the army, or does it function as liaison between the armed forces and the Council of Ministers?

[Answer] First of all, the Ministry of Defense, as is well-known in every [government] organization in the world, is that institution which oversees the armed forces with regard to the means by which these forces are prepared for war. The Ministry of Defense provides the armed forces with equipment and gear and oversees their training, development and organization. But because of the unique situation we have, which is manifested in the fact that the chairman of

the interim military council is also the commander in chief of the armed forces, a legal problem developed. Therefore, it was decided that the chairman of the interim military council continue to serve as commander in chief of the armed forces and that the minister of defense devote himself to political activities that have to do with securing aid and weapons for the armed forces. There is total coordination now in this area between the Ministry of Defense and the commander in chief of the people's armed forces.

Furthermore, the interim military council must have close ties with the interim government. Therefore, I was honored when my colleagues chose me to assume the responsibilities for defense and to work in the interim cabinet.

In addition to my duties and functions in the Ministry of Defense, I serve as liaison between the two councils.

[Question] What is the situation now in the south? Is there a truce that is acceptable to both parties, or is the war continuing? What is the status of communications with Garang? According to what has been published in some newspapers, Garang is accusing you of not contacting him directly. In fact, he goes so far as to accuse you of playing for time and trying to deprive him of his sources of support by establishing relations with neighboring countries.

[Answer] First of all, we declared a cease fire, and we will abide by it. Ever since the cease fire was declared, not a single shot has been fired. We expected John Garang on the other side to declare a cease fire too to show good will. Our expectation was based on our belief that what constituted an obstacle in our path had been removed. Although Garang did not declare a cease fire, the forces of Sudan's Liberation Army are bound by the undeclared cease fire. We wanted Garang to issue a cease fire statement so that relief agencies could provide food to those who have suffered losses. Although that cease fire has not yet been declared, I am fully convinced that John Garang will accept a cease fire for humanitarian reasons until an agreement is reached regarding the problems that are going on now.

It is true that communications with John Garang were not conducted through official channels, but communications do take place through unofficial channels. We feel that we did what we could. It is true that we did not contact Garang directly, but we did state through various media agencies that we were serious about meeting with him, and we asked him to set the time and place for such a meeting. We believe this is up to him now. He can set the time and place for a meeting and name the person with whom he wishes to negotiate. We are willing to go along with all that.

But we also wish to reiterate that appeal via your respectable magazine. We wish to declare that we are willing to negotiate with him. Communications through unofficial channels are presently underway to find out what were those circumstances and conditions that interfered with direct communications with Garang.

The reasons that forced him to take up arms have been removed now that the previous regime has been overthrown and trials for all its main supporters are due to begin.

[Question] Has Garang virtually stopped his opposition to the armed forces?

[Answer] Yes he has; although he has not declared that, his forces have not been opposing ours. I would like to respond now to what you said about Garang's accusations that we are playing for time and trying to deprive him of his sources of support. If John Garang is referring to our rapprochement with Libya and Ethiopia, then he is being grossly unfair to the Sudanese people's revolution if he believes that the revolutionary movement was a tactical procedure. The action we took to restore relations with Libya and develop relations with Ethiopia is a strategic action in every sense of the word. In our third bulletin, which had to do with foreign policy, we indicated that we intended to mend the holes in our relationships with our neighboring countries. Evidence for this lies in the fact that in the talks we held with Col al-Qadhafi and with Ethiopian officials, we did not bring up this subject nor did we discuss the support these two countries have been giving John Garang. It was the Libyans who spontaneously took the initiative and declared that to the delegation. Then the Libyans later made that declaration public. At any rate, that was not our objective.

[Question] In light of what has been said about restoring balance in Sudan's foreign policy, what are the sources of Sudan's weapons? Do you hope to acquire Soviet weapons or weapons from the East in general?

[Answer] This most certainly depends on political strategy. As a matter of principle we refused to be polarized. This means primarily that we were willing to turn to anyone we wanted to turn to, provided we had guarantees that we could make our own decisions freely and independently.

Western sources have been Sudan's principal sources of weapons. We are still getting weapons from the West. However, the problem of re-arming the armed forces is not an easy one. This is something that has to be commensurate with the degree and magnitude of the threat. It has to be done in accordance with the military force that is required to confront that threat, to ensure internal stability, and to mobilize a force that is large enough and prepared to confront events. These are matters that cannot be set forth during a 1-year period of transition. Therefore, during that period I will try to reorganize the people's armed forces so as to serve the strategic objectives of the coming stage under balanced relations with neighboring countries. At the same time I will try to restore the prestige which the armed forces had lost under the previous regime because many officers and people of other ranks were eliminated from the ranks of these armed forces. I will also guarantee that enough military equipment is on hand to enable the armed forces to protect Sudanese soil.

[Question] It's been stated in the media that the costs of the ongoing war in the south have reached almost 2 million Sudanese pounds. How accurate are these figures?

[Answer] These figures are accurate. Calculating the costs of military operations involves not only the actual effort that is made when weapons are fired, but it also usually involves the level of declared preparedness and the cost of achieving it. It also has to do with the level of equipment that is required for the fighters, the instructions or orders that are issued to them, and the allowances that are given to them to compensate them during the war period. In addition to all these costs, the amounts of money that would be spent for fuel,

airplane sorties and different military efforts would be added. Thus, the cost of 2 million Sudanese pounds is the real cost. It is for this reason that I did and still do believe that the civil war which is being fought now in the south is one of the factors that helped destroy Sudan's economy. I personally believe that the problem of the south has top priority and takes precedence over the problem of the economy because solving the problem of the south will save Sudan 2 million pounds a day.

[Question] Some newspapers that are published in the Gulf reported that in your statements about the disbanded security agency, you stated that that agency had tens of thousands of employees. It was reported that you stated that the security agency was more powerful than the army and that it had been prepared to strike the army. What has become of those people? It is known that no more than 400 agency employees have been arrested and that some of them have been released. What are the measures that will be taken to ensure that those thousands who have been released will not take action to abort the people's revolution?

[Answer] The statement I made was accurate. Those who have been arrested so far have been officers employed in the State Security Agency, but what I said about the number of employees in the State Security Agency--and that includes soldiers, civilians and those who are actually affiliated with other agencies--was that that number was very large. I said that these employees had undergone preparations and training not [just] to oppose political parties or ideological movements, but also to rival the armed forces in case these forces were to presume upon the regime. From a military standpoint we now have in our possession all the weapons, equipment and ammunition that were stored in the State Security Agency's depots. Therefore, we believe from a military standpoint that by not arresting staff officers and soldiers who were employed in that agency we are not posing a threat to the revolution. We have their names in lists that we have in our possession; they are now known to us. [Those who are in custody] will be released unless citizens should come forward and file against them lawsuits that allege corruption. We think we have rooted out those in the State Security Agency who could pose a threat, and we have nothing to fear from some of its staff.

[Question] There are discussions in Sudan about the relationship between leaders and the rank and file in the armed forces. Petitions have been filed to unseat some members of the interim council and to ask that council members devote themselves to sovereign activities and legislation and resign their positions in the army. What do you think about that?

[Answer] First of all, there are no bases or blocs in the armed forces. There was total unanimity in the armed forces about the revolution being led by its present leaders. The news that has been reported and the leaflets that have been circulated did not come from the armed forces. Those leaflets have been planted. The military council itself has been inclined to devote itself to sovereign activities and legislation and to leave command to others in the armed forces. Although no agreement has been reached on that matter, it seems that there is a general tendency to have members of the council devote themselves to those activities after a certain period of time and form a staff organization for the armed forces that would perform its functions for the armed forces. This matter

has not been settled yet, but I believe that the general tendency in the coming period is to achieve that.

[Question] Is the mutual defense agreement between Egypt and Sudan still in effect, and are its articles being implemented?

[Answer] The mutual defense agreement between Egypt and Sudan is actually an agreement that is similar to the mutual defense agreements between Arab countries that are reached under the aegis of the Arab League.

I do not believe that that agreement has added much in that regard. Also, there are no secret clauses in that agreement, which may be summarized by saying that it allows the armed forces of both countries to operate in either country for the purpose of opposing a foreign enemy. Therefore, the agreement is still in effect and has not been abrogated yet. It is my personal opinion that there are no reasons for abrogating this agreement because it is an agreement that actually serves Sudan just as much as it serves Egypt and just as much as it serves the entire Arab nation.

[Question] Can this agreement be seen in any context other than that of integration between Egypt and Sudan, even though integration was a new step that was taken after that agreement was made?

[Answer] From a legal standpoint all the articles of the mutual defense agreement are considered to be in effect now. There are conditions under which that agreement may be abrogated, but as long as that has not happened, the agreement remains legally in effect. It is true that the economic integration of the two countries came at a later stage after the agreement was made, but all the indications affirm that the two nations of the Nile Valley want to create a measure of integration between the two countries so as to ensure prosperity for the two peoples.

[Question] Sources in the Sudanese Communist Party, Dr 'Izz-al-Din 'Ali 'Amir to be specific, are saying that Sudan now has U.S. military bases. Is that true?

[Answer] First of all, Sudan has never given a foreign country military bases. I regret to say that as far as I know what 'Izz-al-Din 'Ali 'Amir said is not true. I know that no military facilities have been given to the United States in Sudan. What did happen was that some joint military exercises were conducted under the Bright Star program. We want our land to be Sudanese land. No foreign country is allowed to join us in joint exercises on our land unless its participation is compatible with our strategic objectives. I do not believe that that will happen soon.

[Question] Has the United States been in touch with Sudan about this matter since the revolution?

[Answer] No. Even if the United States were to get in touch with us, I do not believe that we would comply with such a request at this time.




KUWAIT

## FINANCIAL STATUS OF KUWAIT FINANCE HOUSE

East Burnham ARABIA: THE ISLAMIC WORLD REVIEW in English May 85 pp 74-75

[Text]

 For the economy of Kuwait, 1984 had, for obvious reasons, been a sluggish year. In addition to a global economic decline and the continuing Iraq-Iran war, the country's previously prosperous re-export trade suffered as a result of neighbouring countries completing their infrastructural programmes, not to mention the Manakh market crisis and a general decline in demand for Gulf oil.

Most of Kuwait's banks and share companies did not distribute profits on their 1984 performance but, for Kuwait Finance House (Beit al-Tamwil Al-Kuwaiti), the decision was unprecedented, shocking and unexpected. Observers described it as a blow to shareholders and depositors who did not view Kuwait Finance House (KFH) as a mere bank, but rather as an Islamic institution that provided a genuine umbrella for their business transactions.

The everyday activities of KFH went far beyond traditional operations, including as it did cooperative insurance, real estate holdings, housing projects for Kuwait's expatriate communities and the import of meat slaughtered on a strict Sharia basis, in addition to substantial foreign activities, the most recent of which are the Turkish Finance House and the International Islamic Bank.

As a result of these activities, the bank's profits increased from less than KD500,000 in 1978 to KD3.4m in 1979, KD9.6 in 1980 and to more than KD38m in 1984. Assets which were estimated at KD168,000 in 1981 are now assessed at over KD800m. This standard of performance enabled the bank to raise its overall investments to more than KD760m by December 1984, of which

over KD100m is utilised in financing foreign operations, with particular stress on Muslim world development and economic projects.

During the first week of January 1985, amid the still prevailing economic anxiety that followed fruitless efforts to curb the consequences of the Manakh crisis, KFH issued a terse announcement that no profits would be distributed to shareholders or other investors and depositors in respect of 1984 operations. The revelation swept over an already tense market. Many market dealers were counting upon those earnings to offset part of their accumulated commitments in a stagnant market, while small depositors felt disappointment at their annual share of profits which in previous years had never failed to arrive on time.

Further, the statement led to rumours that, like others, KFH was hit by the Manakh crisis, and depositors rushed into the bank's branches all over Kuwait to draw out what might be remaining of their money. A statement by the ministry of finance that the bank was "safe and sound" stopped the panic, and the withdrawn funds were soon returned.

In fact, KFH profits in 1984 exceeded KD38 but, due to the uncertainty and lack of trading in real estate, the bank was not in a position to work out a realistic evaluation of its properties in the absence of any stock exchange price indicators. For this reason, the board of directors decided that the entire KD38m profits be transferred to an emergency reserve fund until the situation became clear. The reserve now stands at KD58.7m. A statement on January 11 by the bank's chairman, Ahmed Buzee Al-Yassin,

expressed hopes that 1985 would be a better year and that the need would not arise for such reserves.

The decision not to distribute profits was attributed by KFH to its obligation to protect the interests of shareholders and depositors against any likely future fluctuations. The bank's executives further argued that KFH is a "speculating partner" and, according to Sharia rules, such dealing should only be entered in the books when it is turned into liquid cash or evaluated properties — none of which was possible in 1984.

On the other hand, KFH clients are reluctant to discuss the issue at length. Deep down, they all want to believe that the institution is above fear or suspicion and that there is nothing wrong.

Asked why such a strong Islamic bank failed to realise distributable profits Al-Yassin, in a recent press interview, said success should not be viewed in terms of profit distribution: "In 1984 we have realised revenues and also made losses in properties. The question of profits cannot be disassociated from regional developments, the Middle East crisis and world economic ills".

Profits or no profits KFH, like other economic institutions in Kuwait, was bound to suffer from prevailing regional and global hazards. However, contrary to all rumours, economic observers in Kuwait say that the bank is intact.

CSO: 4400/197

KUWAIT

NEW BANKING STRATEGY FORECAST

Beirut AN-NAHAR ARAB REPORT & MEMO in English 20 May 85 p 5

[Article by Kieran Patton]

[Text]

**T**he Governor of the Central Bank of Kuwait has called for a "re-tuning" of the state's banking system and among the measures being considered is the outright acquisition of shares of certain Kuwait companies by the Central Bank.

In what many observers view as a continuation of "operation clean-up" in the aftermath of the dramatic collapse three years ago of the Souk al-Manakh, the country's top banker said that present concerns and future prospects necessitated "an overall evaluation of past experience, to end with a new strategy better suited to tackle the development task under new realities".

Speaking at the Arab Bankers Association conference in London, the Kuwait Central Bank Governor, Mr Abdulwahab al-Tammar, said: "I see a great need for our banking system to tune itself towards the new course on which the economy is proceeding".

He added: "As this process goes on, and as the economy acclimatizes itself more and more and adjusts to foreign and domestic developments, the banking system should anticipate a higher percentage of existing loan portfolios to deteriorate in quality. Therefore, it should be reasonable to expect the banks to maintain higher provisions, over and above their present comfortable level.

"For the future, the banking system should supervise closely the end use of its funds, and should give more attention to helping the Kuwaiti economy respond effectively to the demands of rapid change. In addition, a greater role is expected from the Central Bank in formulating and implementing macro-economic and monetary policies, and in its relations with the banks and the government".

Mr Al-Tammar then outlined several perspectives on the role of the Central Bank for the control of monetary policy, rationalization of credit policy, and the development of Kuwait's money and capital markets. These included:

- 1) Broadening the spectrum of monetary policy instruments being used by the Central Bank of Kuwait and increasing their effectiveness; and,
- 2) Continued redirection of bank credit away from overdrafts and towards credit for productive purposes through programmed lending with known loan purposes, maturity and interest rates.

He added: "While the commercial banks have suffered relatively little in direct and immediate loan losses caused by the collapse of the Al-Manakh securities market, greater efforts will continue to be directed towards these banks' loan portfolios and the value of other assets, which have been negatively affected by lower market values on shares and real estate caused by the collapse".

Mr Al-Tammar said that the role of the Central Bank in promoting the money and capital markets is under continuous review and that "towards this end, several ideas may be considered, including the outright acquisition of shares of certain Kuwaiti companies engaged in productive economic activities".

He went on: "Such share purchases would be better made in the secondary market in order to encourage support of these productive companies. Equally effective would be the purchase of bonds issued by Kuwaiti companies whose activities require support, owing to consequential macroeconomic benefits".

Mr Al-Tammar also revealed that while the commercial banks' consolidated balance sheet multiplied by twelve times during the ten-year period from 1973 to 1983, it shows only a "more reasonable" 67.9 per cent increase over the five years since 1980.

In this period, he said, growth was concentrated in the banks' domestic operations, which grew by 87.5 per cent — whereas the growth in foreign operations (foreign assets and liabilities) was only 35.1 per cent. The net foreign assets of the commercial banks increased by 27.7 per cent, further continuing the position of the Kuwaiti banks as net lenders to the outside world.

There are at present six commercial banks in Kuwait plus a branch of a 50 per cent Kuwait-owned Bahraini joint venture bank. Within domestic operations, the cash reserve of these banks (cash and balances with the Central Bank and CBK bills) rose by

45.7 per cent during the period 1980-84, while claims on the private sector increased by 88.7 per cent.

On the liabilities side, the commercial banks recorded an increase in their financing resources — concentrated basically in private sector deposits, with these deposits rising in 1984 by around 60 per cent above the 1980 level. The banks' own funds (capital and reserves) rose by 132.9 per cent.

Referring to the activity of specialized banks in Kuwait which provide medium- and long-term financing to the housing, agricultural, industrial and real estate sectors and contribute towards the development and promotion of domestic capital and money markets, Mr Al-Tammar said that by the end of 1984 the total aggregate balance sheet of the specialized banks had reached KD2021mn(\$6.7bn) as against KD1167mn at the end of 1980 — an increase of 73.1 per cent.

Mr Al-Tammar said that the growth rates in the operations of the specialized banks were relatively high during the first three years of the 1980s, peaking in 1982 at 24 per cent, in line with noticeable activity in certain domestic sectors during that period, particularly in real estate, housing and industry.

CSO: 4400/197

PALESTINIAN AFFAIRS

STUDENT FEDERATION CHAIRMAN DISCUSSES POSITIONS, ACCOMPLISHMENTS

Nicosia FALASTIN AL-THAWRAH in Arabic 20 Apr 85 pp 19-21

/Interview with Nasir al-Qudwah, chairman of the General Federation of Palestinian Students: "We Are Going to Rally in Moscow; We Are Entitled to Disagree with Leadership and Have Done So; Our International Relations Are Better Than Our Arab Relations and Reasons Are...."

/Text The General Federation of Palestinian Students was founded in 1959 and has acted as the "hatchery" producing most of the PLO leaders. The federation has long and broad experience and expertise in national unity and democratic dialogue. It also has independent positions on national developments, but they are positions founded on the basis of adherence to the PLO's unity.

The federation chairman said that the federation's successive leaderships have clung to the method of democratic dialogue and to safeguarding the Palestinian students' unity.

No Blocs Outside Federation

/Question In view of all that has happened since 1982, how has the General Federation of Palestinian Students managed to maintain its unity?

/Answer The federation has been able to maintain its unity by relying on a number of elements, the most important being the political awareness of the student base, its vigilant and democratic stances and a number of other factors, in addition to the federation's deep-rooted traditions, its adherence to its constitution and bylaws and to the methods of sound democratic action which have become a firm tradition of this federation. This has prevented the rise of blocs beyond the federation's framework.

What we are proud of is that since its early beginnings, the federation has played a positive and distinguished role in the Palestinian arena, especially during the crisis in this arena. We are also proud that the federation leadership has maintained its unity and has displayed no political deviation either at the level of the Executive Committee level, the Administrative Council or the branch level. We are proud that we convened the federation's ninth congress under the most difficult political circumstances experienced

by the Palestinian arena. This congress carried out its activities with great success and with full national unity. We have also been able to unite behind the federation's political position and to move forward on the path of developing the federation's internal structure and of enhancing the work in the branches, in the occupied territories and at the level of our foreign relations.

Ultimately, our congress emerged with leadership bodies that really reflect national unity in its true sense, meaning that they represent all the Palestinian organizations that follow the Palestinian national line. We have achieved this at the level of the Executive Committee, which includes five Palestinian political organizations, and at the level of the Administrative Council, which includes six Palestinian organizations.

When we speak of this step which embodies national unity, we do not take into consideration the political organizations that have taken positions hostile to our people and have joined schemes that are incompatible with our people's aspirations and with our national cause.

"Hatchery"

Question You have spoken of the democratic method of action and of strengthening the federation's internal structure. How has the federation been able, despite all that has happened, to maintain the supremacy of the democratic climate within its folds?

Answer Let me explain the background of this issue since the beginning. The federation was--and this is a point I would like FALASTIN AL-THWRAH to underline--the first independent Palestinian national institution. It played, as I have already noted, a fundamental role in the Palestinian national struggle. Rather, it has played the role of a "hatchery" producing the basic Palestinian cadre which has led the Palestinian revolution. The federation, founded on 29 November 1959, was established on advanced bases when compared with the total political movement existing in the Arab area at the time. A few months ago, the federation celebrated its silver anniversary--an extremely significant anniversary to which, regrettably, we could not devote enough attention because we were preoccupied at the time with the affairs of the Palestinian National Council's 17th session.

Adherence to the constitution and the regulations, which later became the bylaws, opened the door for the process of sound democratic interaction within the federation's framework. For example, we have laws that govern the election process for a certain branch. These laws may lead to giving prominence to one faction over another. We wage the election operation democratically and all abide by the outcome. This is something that the federation's successive leaderships have been able to prove. The credit does not go to us as the current leadership. Adherence to these aspects, which may seem superficial at times, is what offers the true guarantee for the entrenchment of these principles.

It is my assessment that most, not to say all, of the political organizations participating in the federation harbor special respect for this federation. At the same time, they adhere totally to the federation's constitution and bylaws. We must, of course, underline the Administrative Council and the Executive Committee's adherence to this issue.

29th Session

Question Some are trying to distort the PLO's image. To what extent has this affected the federation and where does the federation stand vis-a-vis this issue?

Answer The General Federation of Palestinian Students, embodied in its leadership and intermediate councils, has defined clearly its political position toward the deviation of some Palestinian circles that are tied to foreign circles, whether in connection with the splinter coup attempt that occurred in Fatah or in connection with the attempts to break away from the PLO. This is the first point. Second, we have defined our political position in an independent manner emanating fundamentally from the convictions of the student base. We have taken into consideration the right to be different from, perhaps even to disagree with, our brothers in the Palestinian leadership, but on the basis of trust in the patriotism of this leadership. For example, the federation issued on 15 February, after announcement of the Jordanian-Palestinian movement format, a press statement in which it defined the fundamental constants to which we see the need to cling in any political movement and in all spheres. The federation declared its rejection of any violation of these fundamentals and constants. At the time, this position was considered a distinguished position and it gained the unanimous support of the Palestinian student arena. Later, the federation's Executive Council held its 29th session from 10-15 March 1985--a session which we called the martyr Fahd al-Qawasimah session out of appreciation and respect for his defense of the PLO's institutions and of the Palestinian legitimacy. This session defined the federation's political position toward the projected issues in their entirety.

Let me point out, with regret, that some media circles, a number of them Palestinian, published what they claimed to be a directive issued by the federation's Executive Committee. I stress that no directive was issued by the federation from the time of issuance of the Executive Committee's statement until the convocation of the Federation's Administrative Council, which is the highest authority in the period between the convocation of two congresses and which is the authority empowered to determine the political position by which the Executive Committee must abide.

AL-HADAF's Directive Is Not True

Question AL-HADAF magazine published a statement in the name of the Executive Committee of the General Federation of Palestinian Students under the title "For These Reasons, We Reject the Husayn-'Arafat Agreement."



/Answer/ We respect our brothers in the PFLP /Popular Front for the Liberation of Palestine/, which is a participant in the federation leadership through its participation in the Executive Committee and Administrative Council. In the Executive Committee, we have tried to take into consideration numerous practical positions of the PFLP members and supporters in a number of branches. We have also tried to solve all the problems raised through the long dialogue which has been often exhausting. We can say very clearly that the Executive Committee has exerted the utmost efforts to preserve an excellent relationship with the PFLP in its capacity as a national faction. But regrettably, we have noticed recently that AL-HADAF specifically has been publishing reports concerning the activity of some branches, such as the branches in the United States and the Soviet Union, and concerning some resolutions taken by the Executive Committee on the formation of preparatory committees. Regrettably, I say that what has been published in this magazine does not reflect the true nature of what has happened.

Our colleagues the officials of AL-HADAF could have checked with an Executive Committee member who does not belong to any organization to verify the information before they published it. We in the Executive Committee have been reluctant to respond to this information. But now the true nature of this issue must be clarified and we fully hope that AL-HADAF will not repeat such practices.

We Oppose This Salvation Front

/Question/ The formation of a Palestinian salvation front has been announced in Damascus. What is the federation's position toward this front?

/Answer/ The formation of such a front represents the abandonment of the Palestinian people's most important accomplishment, namely the PLO. Such an organization serves the schemes hostile to our people, their unity and their accomplishments. Though we may not be surprised by the role of Ahmad Jibril's group or of the dissidents in this formation, we are surprised by the PFLP's accession to this front--an accession which, in our evaluation, represents a serious backsliding on the PFLP's positions.

In any case, we in the federation will confront vigilantly and courageously whatever may undermine our national gains and the PLO's sole representation of our people.

In this regard, our Administrative Council has emphasized the importance of the Palestinian National Council's 17th session in rescuing Palestinian legitimacy and rescuing the PLO and entrenching its political presence. We call for continuation of the democratic dialogue, not in a void but on the basis of adhering to the organization's framework. We are against the premeditated destruction of the PLO's framework--destruction reflected in the formation of the so-called Salvation Front in accordance with a resolution taken by the latest congress of the Syrian Ba'th Party.

## Our Position Toward Amman Agreement

/Question/ The PLO's Executive Committee has approved an amended paper concerning the joint Palestinian-Jordanian movement whereas Jordan has its own interpretations of the amendments. What is the federation's position toward the amended agreement?

/Answer/ The federation's Executive Committee has issued a statement on this issue defining the constants of the political movement. The Administrative Council's 29th session has tackled this issue and decided that after reviewing the agreement, the projected amendments and all the reactions, the Administrative Council reaffirms the press statement issued by the Executive Committee and spelling out the constants of the political movement. The Administrative Council expressed its rejection of the initiative as presented by King Husayn to the National Council's 17th session. The issue in its entirety needs further dialogue in the Palestinian arena. We must note that the Egyptian president's recent statements and proposals have created numerous doubts on this issue and we in the federation have denounced these statements.

What we see clearly now is that there is a national consensus on adhering to the constants of the political movement. This has been stated in the Executive Committee's statement. Fatah's Central Committee has also expressed this position clearly.

## Arab Federations Are "Tired"

/Question/ What about the federation's foreign relations at the Arab and international levels and where have they reached?

/Answer/ The federation plays an important and distinguished role in its foreign relations at the Arab and international levels. In addition to representing the Palestinian student movement, our federation also represents Palestinian youth at the Arab and international levels.

The federation has played a vanguard role in bringing about the unity of the Arab student and youth movement. This student and youth movement is currently facing difficulties emanating from the attempts at domination made by some Arab regimes. Regrettably, the General Federation of Arab Students and the Arab Youth Federation are going through a period of severe decline in this phase and are dominated by a single-sided political viewpoint. They are disregarding many of the action traditions and their two constitutions. However, redoubled efforts are being exerted to deal with this issue and to find final solution to these problems in order to achieve greater effectiveness for the Arab student and youth movement.

At the international level, the situation is better. Here, the General Federation of Palestinian Students plays a prominent role. It is a member of the Permanent Secretariat and a vice chairman of the World

Student Federation and a member of the Bureau of the World Democratic Youth Federation. We have an extremely broad network of relations with numerous friendly national organizations and many other international student and youth organizations.

We Are Going to Moscow

Question The 12th World Youth Rally will be held in Moscow soon. How will the federation be represented?

Answer The rally is the 12th of its kind and is the most important youth and student event in our modern world. The previous rally was held in Havana and our federation expressed its full adherence to and its high appreciation for the youth rally movement and for the principles on which this movement is founded. The federation has also expressed on more than one occasion, most recently during the convocation of the 29th session of the Administrative Council, its welcome for the convocation of the 12th rally in Moscow and its thanks to Soviet youth for the effort they are exerting to make this rally successful. The federation is a participant in the Palestinian National Committee formed by a decision by the PLO Executive Committee and comprising representatives of all the Palestinian popular organizations and federations. The committee also comprises a number of prominent figures from the occupied territories, including the former chairman of the Bi'r Zayt University Student Council and brothers Akram Haniyah and Ibrahim al-Daqqaq. The committee also included martyr Karim Khalaf, may God's mercy be upon him. This committee is headed by brother Mahmud 'Abbas, a member of the PLO Executive Committee. Its two deputy chairmen are Mahmud Darwish and 'Abdallah Hawrani and its secretary is Nasir al-Qudwah.

The federation has taken part in the preparatory activities taking place at the international level and we have attended the four meetings of the world and national preparatory committees. It is important to point out that Palestine, i.e., the Palestinian National Committee, has been elected member to the youth rally's Permanent Preparatory Committee. We have actually sent our representative on this committee to Moscow where he will stay for 7 months until the rally ends. This reflects the respect of the world youth and student movement for our people's struggle and for the PLO. We will be careful to form our delegation in such a manner so as to make it include representatives of all the Palestinian youth and student sectors and numerous youth and student leaderships and talented people in the athletic, artistic and literary fields as well as in the other fields.

Students of Occupied Territories

Question What about the conditions of our students in the occupied territories?

/Answer/ Our students in the occupied territories suffer from redoubled concerns and I cannot but express my boundless appreciation for them, appreciation often expressed by the federation. They are engaged in daily struggle against the occupation and its measures and against the Zionist enemy in the occupied territories, not to mention the efforts they exert to attain a high degree of education.

Our 9th National Congress and our 29th Administrative Council have adopted a number of resolutions capable of achieving constitutional unity with this important sector. We are now in the process of taking the necessary steps and we have firm relations with our students in the occupied territories. But we must admit that we need greater efforts in showing our loyalty to these strugglers. I can say that the Administrative Council has drawn up a plan for broad movement in this sphere--a plan which the Executive Committee will implement.

/Question/ Is there anything else you wish to add?

/Answer/ I thank FALASTIN AL-THAWRAH for its considerable interest in the Palestinian popular organizations and hope for even greater interest.

8494  
CSO: 4404/358

26 July 1985

## PALESTINIAN AFFAIRS

## WOMEN'S FEDERATION CONVENES, ISSUES STATEMENT

Nicosia FALASTIN AL-THAWRAH in Arabic 11 May 85 pp 8-9

/Article: "Women's Fourth Congress Elects Executive Council; 'We Reject Any Alternative to Organization; No Custodianship, No Mandate and No Participation but International Conference; No Self-rule and No Reagan Plan but National Independence'"

/Text/ With a political statement defining the Palestinian women's position vis-a-vis the realities and horizons of the Palestinian issue, the Palestinian Women's General Federation concluded its fourth congress in Tunisia and elected an Executive Council comprised of 46 members, with this council to elect the General Federation's secretariat later.

The congress, held from 2-6 May, displayed firm adherence to the PLO's unity, describing the PLO's 16th session, held in Algiers, as a "historic accomplishment." The federation's statement resolutely rejected any form of deputization, mandate or shared representation. It also rejected Resolution 242 and the principle of bartering land for peace.

The statement severely criticized the Arab position of silence vis-a-vis the Israeli invasion of Lebanon and strongly condemned any endeavor that undermines the PLO's unity or that is intended to create feeble alternatives to the PLO. It also stressed the importance of convening an international peace conference to be attended by all the parties concerned, including the PLO, attacked those who took part in the "dual blockade" against the PLO forces in Tripoli and attributed the inter-Palestinian conflicts to the "Arab regional ambitions" and to the attempt to confiscate independent Palestinian decision making, criticizing the Salvation Front specifically.

## Statement

"Thanks to its legendary steadfastness in Beirut and to the broad and comprehensive rallying of the masses behind it, the PLO has been able to foil the objectives which the Zionist invasion sought to achieve, has preserved its entity, has rebuilt its institutions and has been able to confront the chain of Zionist-reactionary plots hatched against the PLO since its departure from Beirut. This chain of plots has been embodied in the Reagan plan, in the efforts to drive a wedge into the Palestinian

national unity, in the attempts to strip away the PLO's legitimacy and in the endeavor to separate the occupied internal arena from the external arena and to create theatrical alternatives to the PLO. These endeavors have been aimed at undermining the Palestinian people's firm national rights that are recognized at the Arab and international levels and that are embodied in the Palestinian people's right to repatriation, to self-determination and to the establishment of an independent Palestinian state on the national soil under the leadership of the PLO as the sole legitimate representative.

"The Palestinian departure from Beirut would not have occurred had it not been for those Arab positions reflected in utter silence on the Zionist invasion and in taking the stance of a spectator toward the invasion of Lebanon. These are the positions which were then quickly employed in the dual blockade of the Palestinian revolutionary forces in Tripoli and in pursuing these forces in al-Biqa' in an endeavor to oust these forces from Lebanon and disperse them and to contain independent Palestinian national decision making.

"Those developments occurred within the framework of the Reagan plan which the U.S. administration rushed to announce immediately upon the departure from Beirut in an attempt to endorse that departure and to shatter the Palestinian structure in the interest of the imperialist scheme that seeks to subjugate the entire Arab area to the U.S. influence and to its Zionist base by liquidating the Palestinian issue, by spreading the formula of the Camp David accords and by dealing with our people's issue on the basis of Resolution 242, which has been rejected by the resolutions of our successive National Councils because this resolution views our issue as an issue of refugees.

"In the wake of the historic accomplishment achieved by the National Council's 16th session at the level of national unity, the PLO was faced with difficulties and challenges that had their serious complications and which were reflected in the sharp conflicts within the Palestinian arena and were nurtured by the Arab regional ambitions with the aim of imposing coercive solutions on the PLO and of confiscating its independent Palestinian national decision making. However, our masses' national awareness, their adherence to their national leadership and their rallying behind the PLO's political and organizational programs have enabled the PLO to stand in the face of all the successive blows and to confront all the regional, international and imperialist-Zionist plots. The Aden-Algiers agreement constituted an important step on the path of restoring the Palestinian national unity and a suitable basis for the comprehensive national dialogue. The most significant provision of this agreement set a final date for convening the 17th session of the Palestinian National Council and opened the door for all the factions to participate.

"The PLO has also been able to rebuild its national institutions which were hit in Beirut, to preserve its international status in the various national, regional and world organizations, to resume its effective military activity inside occupied Palestine and in Lebanon, to foil the plot to strip away its legitimacy and to prove that any settlement that does not take into consideration all the firm national rights of the Palestinian people is unachievable and that the key to peace in the area is the recognition of the firm and inalienable rights of the Palestinian people.

"Our people's support for the PLO and their clinging to it as their sole legitimate representative have provided the most significant feature demonstrating our organization's ability to confront the challenges and underscoring our people's ability to stand fast in the face of the Zionist occupation, to resist it and to foil the schemes that seek to devoid the land of its native Palestinian population through the various means of oppression, exploitation and persecution and through the attempt to create alternative leaderships, to drain the homeland's wealth, to build Zionist settlements, to confiscate lands, to build military bases and stations, to destroy the economic and social structure and to throw our young men and women in jail and expose them to all kinds of torture that are incompatible with the simplest human rights and with the international treaties.

"One of the most prominent features of this awareness and of support for the PLO has been our people's constant rejection of the U.S. schemes which undermine our people's right to repatriation, to self-determination and to the establishment of the independent state on our national soil and our people's success in foiling the self-rule and the united kingdom schemes and in rejecting Murphy's latest proposals.

"The acts of annihilation and eviction to which the camps of our Palestinian masses in Lebanon and the Lebanese people's masses are subjected within the framework of the so-called Israeli "security arrangements plan" in Lebanon are manifestations of the U.S.-Zionist scheme which seeks to disperse the Palestinian population groupings, to destroy our people, to entrench the reactionary and sectarian conditions and to wipe out the national resistance in Lebanon. Moreover, the division, fragmentation and infighting dominating the current Arab position offer a fertile soil for passing on the U.S.-Zionist schemes, led by the scheme to strip away the PLO's legitimacy and to abolish the Palestinian issue.

"The most evident manifestations of the deterioration in the Arab position are the continued isolation of Egypt because of the continued presence of the Camp David accords and the Iraq-Iran war. These manifestations reflect the dimensions by which each of these two big countries are diverted from involvement in the central and crucial issue in the struggle with Zionism and U.S. imperialism, namely the Palestinian issue.

"The Palestinian Women's General Federation, out of its concern for and devotion to serving our people's goals, relying on its adherence to our people's legitimate national rights and in light of the fact that the Palestinian national liberation movement is an indivisible part of the Arab liberation movement, underlines the following:

"1. Out of its concern for the PLO and its adherence to our people's full and firm national rights, the congress rejects and condemns all the steps and measures aimed at tearing apart the PLO's unity by creating alternatives to it, especially the so-called Salvation Front. The congress warns of the consequences of the attempts to splinter the Palestinian popular organizations, especially the attempts to break apart our federation and to shatter the Palestinian women's movement.

"2. The congress stresses the need to bolster the steadfastness of our people in the occupied territories, to exert efforts to rebuild the national front and to employ all the capabilities and all the means available to enable our people to continue to confront the Zionist schemes.

"3. The congress stresses the need to develop the forms of military action and to escalate the Palestinian armed struggle to liberate the entire Palestinian soil.

"4. It stresses the need to defend our masses in Lebanon, to provide all forms of support to the camps, to bolster the mainstays of their steadfastness and to defend their right to self-administration through local popular committees. It also stresses the need to bolster the struggle relations with the Lebanese national forces in order to fight the Israeli occupation and the fascist forces collaborating with it.

"5. Regarding the Jordanian-Palestinian agreement concluded in Amman on 11 February 1985, the fourth congress of the Palestinian Women's General Federation believes that this agreement does not achieve the firm and fundamental aspirations of the Palestinian people. Consequently, the congress stressing the following:

"A. The PLO is the sole legitimate representative of our people. We reject all forms of deputization, mandates and sharing of representation.

"B. The congress rejects the principle of bartering land for peace which does not secure our people's national rights.

"C. The congress rejects Security Council Resolution 242.

"D. The congress stresses that solving the Palestinian issue requires the continuation and escalation of the armed struggle.

"E. The congress stresses its firm adherence to the Palestinian people's right to repatriation, to self-determination and to the establishment of their independent national state under the leadership of the PLO, the sole



legitimate representative. The congress rejects all the agreements, initiatives and plans that are incompatible with our people's national rights, such as the self-rule plan, the Camp David agreement, the Reagan plan, President Mubarak's latest initiative and Murphy's proposals.'

"F. The congress underlines the distinguished relationship between the Jordanian and Palestinian peoples in accordance with the Palestinian National Councils' successive resolutions which regulate this relationship.

"G. Any political solution to the Palestinian issue must be achieved within the framework of an international conference in which the PLO participates as an independent and equal party.

"6. The congress stresses the need to entrench the PLO's role and status at the Arab level and to establish Palestinian-Arab relations on the basis of respecting the PLO's independent national decision making and its sole representation of our people and the basis of non-intervention in the PLO's affairs and its right to engage in its armed struggle on all the Arab fronts. This dictates:

"A. Exerting efforts to correct the Palestinian-Syrian relationship on the basis of firm support for the PLO's independence.

"B. Stressing that the Palestinian-Jordanian relationship is based on considering the PLO the sole legitimate representative of our people, without custodianship, without deputization and without sharing.

"C. Bolstering the relationship with the fraternal Egyptian people and restoring the Egyptian-Palestinian relations on the basis of abandonment of the Camp David accords.

"7. The congress underlines the need to end the Iraq-Iran war in order to preserve the human and material resources of Iraq and Iran and to throw these resources into the battle to liberate Palestine. The congress appreciates Iraq's positive response to all the peace appeals and urges Iran to adopt a similar stance. The congress also appeals to all the peace-loving national and progressive forces to intervene immediately in order to put a halt to this war and to establish peace between Iraq and Iran.

"8. The congress condemns the translocation of the Falasha Jews to the occupied Palestine--an operation spearheaded by the United States and implemented by reactionary Arab and international circles.

"9. The fourth congress of the Palestinian Women's General Federation underlines the relationship of solidarity between the PLO and the socialist bloc countries, led by the friendly Soviet Union, on the basis of ceaseless support for our people's just struggle under the PLO's leadership to achieve the Palestinian people's firm national rights.

"10. The congress stresses its appreciation for the political support received by the PLO from the Islamic Conference Organization, the nonaligned bloc, the OAU, the Afro-Asian Solidarity Organization, the PRC and all the liberation movements in Latin America and in the world which are struggling to achieve their freedom and independence.

"11. On the occasion of the imminent conclusion of the Women's International Conference, our fourth congress:

"A. Greet the women of the socialist bloc, led by the Soviet Women's Committee, and the World Democratic Federation of Women, and appreciate their efforts and accomplishments in supporting the causes of the Palestinian women and reflecting solidarity for our Palestinian people's firm rights during the period of the conference.

"B. The congress lauds the women's organizations and movements in the developing countries and in all parts of the world and the liberation movements in Asia, Africa and Latin America and appreciates the efforts and accomplishments they have contributed to holding the Women's International Conference, thus contributing to developing women's political and social struggle and to the liberation and progress of their countries."

In its final session, the congress elected the members of the Federation's Executive Council after sister 'Isam 'Abd-al'Hadi, the federation chairman, presented the resignation of the former Executive Council and General Secretariat. The national unity list won unanimous election to the Executive Council. The General Secretariat is scheduled to be elected in the coming period.

Following are the names of the national unity list elected to the Executive Council:

Intisar al-Wazir, Salwa Abu Khadr, Najla' Yasin, Jamilah Saydam, Khadijah Habashinah, Ihsan al-Burnawi, Hana' Siyam, Aminah Sulayman, Siham Sukkar, Maryam al-Atrash, Nadiyah al-Khayyat, Zaynab al-Wazir, Amal Yunis, 'Ubaydah al-Qadi, Tawhidah Lafi, Samiyah Bamiyah, Maysun Sha'th, Khawlah Fawrashli, 'Ablah al-Dajani, Mayyadah Bamiyah, Shadiyah al-Hilu, Lucienne Hijazi, Firyal 'Abd-al-Rahman, Hanan Jamal al-Yasin, Sulafah Hajjawi, Fatimah Shahir, Rima al-Salim, Ikhlas Hamzah, 'Isam 'Abd-al-Hadi, Amirah Baghdani, Sa'adah Kaylani, Siham al-Dabbagh, Zaynab al-Ghunaymi, Fa'izah Yusuf, Samiyah Kiwan, Aminah Ba'jur, Widad Ahmad, Amal Shamal, Munyah Hamad, Zahur al-Qadi, Nihayah Muhammad, 'Ablah Khuwaylidi, Fadiyah al-Misri, 'A'ishah 'Awdah, Siham Khalil and Rima Kattanah.

8494

CSO: 4404/358

QATAR

MARKETS FOR NEW GAS SOUGHT

Beirut AN-NAHAR ARAB REPORT & MEMO in English 7 Jun 85 pp 5-6

[Article by Kieran Patton]

[Text]

**M**oves are currently under way to sound out the market for new Qatari gas in both Japan and Europe following the announcement that development of Qatar's huge North Field is expected to start by the end of this year or early 1986.

Discussions have already been held in Japan between Qatari officials and Japanese trading organizations, oil companies and government officials about the possibility of selling liquefied natural gas (LNG) in Japan.

Talks have also taken place to discuss the possibility of a partnership with a West German consortium, led by Wintershall, which is currently involved in a production-sharing agreement with Qatar to explore and drill for oil and gas offshore. Part of the North Field lies in the Wintershall concession area.

These latest moves follow closely the announcement only two weeks ago that the first stage of the Qatari North Field gas project would cost between \$500mn and \$1bn over three years with the development due to begin sometime in the next twelve months.

They also come less than two months after Qatar invited international pre-qualification tenders from the world's major engineering companies for the selection of managing consultants for the project, which involves the installation of facilities for the production, transportation and processing in stages of some 2.4bn cu ft of raw gas per day from the offshore field. The first onshore processing of gas is scheduled for 1988.

While the initial stage of the project is expected to have a daily production rate of at least 500 mn cu ft (and possibly double that figure), output will depend on the market for liquefied natural gas and gas exports through pipelines over the coming year.

The Director-General of Qatar's state-owned Industrial Development Technical Centre, Mohammad

Said al-Mishal, who is also director of the newly-established Qatar Liquefied Gas Company, has already conceded that the marketing of LNG is more difficult than a few years ago.

### **Promoting a total market**

However, Mishal added that if by the end of the year Qatar becomes successful in promoting a total market, or part of one, then the country may consider a bigger first stage.

The recent flurry of activity has been with this promotion very much in mind. Hence the talks with the Japanese and the West Germans to sound out their involvement in the project, which has already attracted the partnership of British Petroleum and Compagnie Française des Pétroles (CFP-Total).

The Qatari delegation to Japan was led by Sheikh Rashed Awaidh Al Thani, deputy managing director of the Qatar General Petroleum Corporation (QGPC), and apart from investigating the market for LNG the mission to Tokyo also had discussions with some Japanese companies on possible partnership in the development.

Japan's Marubeni Corporation has already been given a letter of intent for a 7.5 per cent stake in the scheme, in return for a firm commitment to market about 2mn tonnes a year of Qatari LNG, and talks are under way with a consortium comprising Mitsui, Mitsubishi and the C. Itoh company.

The QGPC has already prepared a basic design for the development in consultation with British Petroleum, which has taken a 7.5 per cent stake in an LNG project to be undertaken in the final stage of the North Field's development.

Following completion of the first phase, the light gases — methane and ethane — will be available for domestic needs, as feedstock for industries at Umm Said and to power electricity and desalination plants. Export of liquefied petroleum gas, natural gas liquids, condensates and natural gasoline will also then be possible.

The North Field was discovered in 1972 by the Royal Dutch/Shell group. In 1980, Wintershall, the West German group, which is an associate of BASF, announced it had found a southern extension.

Known reserves are in the region of 150,000bn cu ft, and Qatar's finance and petroleum minister, Abdul Aziz bin Khalifa Al Thani, said recently that probable reserves were about 400,000bn cu ft, amounting to some 10 per cent of the world's total proven and probable reserves.

The field covers an area of 1,000 square kilometres, and Qatar — contrary to many opinions when

it was first discovered — has now decided to exploit it on a large scale.

The decision to exploit the field initially to such an extent has taken many observers by surprise for three reasons:

- the continuing Gulf war, which may make the Japanese wary of entering even the lower Gulf region;
- the commitment many Europeans have made to Soviet gas;
- the apparent decline in the market for LNG.

### **Increasing interest and involvement**

The latest talks with the Japanese seem, however, to show that the first problem is a surmountable hurdle. The involvement of BP and CFP-Total may be read as indicating less than total dependence on the Soviets by the Europeans, especially with the latest news of the increased involvement of the West Germans.

The third hurdle — the marketing of LNG — may, as the Qataris believe, be overcome by the promotion of a total market, and the latest round of talks plus the commitments already received suggest that Qatar will be successful in creating at least a part of a market sufficient for their needs.

The feasibility study for a transcontinental gas pipeline from Qatar to Turkey will, it was officially announced last week, be undertaken soon. If the project is implemented, it would make Qatar Turkey's main supplier of natural gas.

However, as the head of the newly-established Qatar Liquefied Gas Company, Al-Mishal, stated only two weeks ago: "People are talking about exporting gas through pipelines to Turkey and further up to France. If it is liquefied gas, the talks are about Japan, Europe, America and South Asia. We are approaching the markets in both directions, trying to promote our exports."

According to the latest available figures, Qatar's production and exports of liquefied natural gas, petrochemicals and fertilizers recorded a substantial increase in 1984 over the previous year.

Production of LNG and its derivatives, including ethane, propane, butane and condensates, reached 1.4mn tonnes in 1984, against 1.21mn in 1983 with sales running to 745,6000 tonnes against 494,500 tonnes.

According to the Qatar General Petroleum Corporation (QGPC), production of ethylene reached 104,700 tonnes last year, compared to 163,500 tonnes in 1983, while its low-density polyethylene output totalled 149,700 tonnes against 143,900 tonnes. Sulphur production was put at 33,400 tonnes against 24,900 tonnes.

Ethylene exports in 1984 reached 64,100 tonnes compared to 7,300 tonnes the year before, while low-density polyethylene sales reached 151,900 tonnes against 132,000 tonnes and sulphur exports were listed at 33,400 tonnes compared to 24,900 tonnes.

Production of ammonia was quoted at 631,700 tonnes for 1984 — the same as for 1983 — while UREA output was 717,000 tonnes compared to 718,000 tonnes in 1983.

Local consumption of refined products reached 638,700 tonnes last year against 526,200 tonnes the year before.

CSO: 4400/196

QATAR

### THREE AREAS FOR OIL, GAS EXPLORATION OPENED

Dubayy KHALEEF TIMES in English 2 Jul 85 p 1

[Article by R. Mohan]

[Text]

DOHA—Qatar has opened up three new areas, offshore and onshore, for oil and gas exploration. The announcement, asking international companies to bid for production sharing exploration agreements in the northeast, east and in the south of its land mass, closely follows an agreement with an American company for prospecting and drilling toward the east of the peninsula.

Trade circles said yesterday some 46 international companies mainly American, had already shown interest in the announcement by the Qatar government. The closing date for applications is October 31.

The areas are identified in a map as Two, Five and Six. Area Five is offshore northeast of Qatar, overlapping what is popularly referred to as the North Field, parts of which will be exploited for the first phase production of liquefied gas by the new Qatargas Company. But Area Five also extends beyond the boundaries of the North Field.

Area Six, also offshore, adjoins Area Five and is more easterly, though not dead east. It is above the familiar Maydan Mahzan, Halul and Bul Hanine network of oil wells and export points. Area Two is onshore, and forms the southern part of the peninsula.

The importance of these tender invitations is in the possibility of Qatar finding more commercially viable oil reserves in Areas Five and Six. There have been indications that these areas, overlapping and adjoining the North Field, are also rich in oil.

The move also means injecting some life into an otherwise stagnant domestic economy. The June 13 award was similar, in that the American firm Standard Oil Company of Ohio (Sohio) will be prospecting and drilling for oil along the east coast and offshore of Qatar. The area covers over 12,000 square metres. More important, Sohio will provide a bank guarantee of \$25 million to Qatar as an assurance that work would be done according to the agreement. The Sohio contract is also a production-sharing agreement, which according to international norms means that Qatar will keep 80 per cent of whatever is produced eventually, with the rest going to the explorer.

Similar agreements with a group of companies in the other three areas would result in a number of jobs for the local contractors, it is expected. The jobs are highly technical, but local businessmen are looking forward to the spin-off effects.

The existing Khuff gas bearing structure in the North Field and any extension that is a part of it has been excluded from the three new areas

CSO: 4400/196

QATAR

## SOHIO TO START OIL PROBE

Dubayy KHALEEJ TIMES in English 3 Jul 85 p 11

[Text]

DOHA—The Standard Oil Company of Ohio (Sohio) has provided a \$25 million bank guarantee to the Government of Qatar, enabling it to begin exploration of a 12,000 square kilometres offshore area for oil.

The company yesterday completed all the formalities connected with the agreement which was signed on June 13, Nasser Al Ali, deputy director of Petroleum Affairs in the Ministry of Petroleum and Finance said.

Talking to newsmen yesterday, Mr Al Ali said the guarantee covered only the first phase of prospecting and drilling. The time limit for the first phase is four years, beginning June 13. Sohio can proceed with the second phase, extending over two years, if the first phase is completed satisfactorily.

In the first phase, Sohio is to execute, at its own cost, seismic, magnetic and gravity surveys over 4,000kms each. The area of about 12,000 sq. km where the exploration is to be done lies east of Qatar shore. Coastal area is included

in the agreement. Sohio is also to drill at least five exploratory wells.

As part of the agreement, Mr Al Ali added, Sohio is to set up a \$1.5 million library in Doha on petroleum affairs. He said the injection of the amount into the Qatari market would certainly help the local contractors. "Besides we expect to sign similar agreements with other companies for areas two, five and six," he said. He was referring to another invitation for bids for exploration.

Mr Al Ali said the Sohio would soon begin work on compiling the basic data of the area. The next job will be to prepare a work programme for the rest of this year and for the next year. This programme will have to be approved by the Department of Petroleum Affairs before work starts. The entire exploration work will be done through a company to be set up here, with a six-member board of directors.

Three of the members will be nominated by the government. The chairman of the board will also be from the government. Mr Al Ali said if oil were to be found in commercial quantities, there would be an expenditure of

between \$200 and \$500 million to develop each field. "You can imagine what it will mean to the economy here," he said.

The company can eventually recover its investment if oil is found in commercial quantities. If oil is struck but Sohio does not consider it viable, the government has the right to claim the discovery as its own at no cost. If oil production begins, 30 per cent of the production will be meant to recover costs incurred by Sohio.

The rest will be shared between the government and the Sohio on a graded basis, depending on the volume produced. If production is 15,000 bpd, the government will claim 80 per cent. The government share rises to 90 per cent when the production reaches 90,000 bpd.

Mr Al Ali said this was the first agreement the Qatar government had signed with an American oil company for oil exploration. He said this and future exploration agreements were proof of Qatar's optimism over the future of oil as a valuable commodity and as a source that would continue to serve the country's progress for a long while.

CSO: 4400/196



SAUDI ARABIA

## ECONOMY TO TAKE SOME NEW DIRECTIONS

East Burnham ARABIA: THE ISLAMIC WORLD REVIEW in English May 85 pp 60-61

[Text]

**IF** After two years, in which successive budgets showed deficits which were financed by drawing on foreign exchange reserves, Saudi Arabia has announced a balanced budget for fiscal year 1985/1986.

With project revenues and expenditures roughly equalling SR200bn, the budget, which has been approved by King Fahd and the Council of Ministers, signifies a belt-tightening exercise in the Kingdom, especially in an era of reduced oil revenues and production levels. In a further measure to bring spending under control, the Kingdom has announced plans to cut back on the generous benefits and allowances it pays to nationals employed by the government services.

The budget was announced at the same time as the Kingdom's fourth five-year development plan was launched, which has put a clear emphasis on the role of the private sector in the development of the country. According to Saudi Planning Minister Hisham Nazer, both the 1985/86 budget and the fourth five-year development plan (1985-1990) are based on oil production estimates of about 3.85m barrels per day, roughly the level reached in 1984.

According to the ministry, total government spending during the duration of the plan will not exceed SR1.000bn. The 1985 budget is 23 per cent down on last year's budget, and has allocated SR23.9bn to manpower development, SR14.8bn for social development, SR6.6bn for infrastructure, SR11.8bn for municipal services, SR16.5bn for transport and communications, SR64.5bn for defence and security, SR14.4bn for economic resources, SR8.3bn for domestic subsidies, SR9.3bn for specialised lending institutions, and

SR45bn for development projects. The budget includes across-the-board cuts for almost every spending authority. The level of subsidies has been cut by more than 20 per cent, to SR8.3bn from SR10.5bn last year.

According to the ministry of finance and national economy, last year's revenues amounted to SR166.882bn, nearly 22 per cent less than the budget estimate of SR214.10bn. On the other hand, total actual expenditures amounted to SR212.88bn at the end of last year, 18 per cent lower than the budget estimate of SR260bn. Private non-oil Gross Domestic Product is estimated to have gone up by 4.3 per cent last year, while inflation dropped by 0.8 per cent and the consumer price index declined by about 1.5 per cent.

The Saudi economy, many observers say, is in a transitional period. It is emerging from a construction based and infrastructural-based growth economy into a production-based economy. Investments made in basic industries are beginning to pay dividends, although the real impact on the growth of the economy has still to unfold. The major problem for the Kingdom is to find international markets for the products of its infrastructural industries, especially petrochemical products and allied industries.

According to the ministry of finance and national economy, the value of imports during last year was SR119bn, which is about 11 per cent less than the previous year. This decline is attributed to the increase in the national inventories of goods during last year, the greater stability in world prices of goods and services, a decline in the cost of freight, and an increase in domestic production.

## REVENUE AND EXPENDITURE

billion riyals

	1404/05		('84/'85)	1403/04		('83/'84)
	Budget	Actual	%change	Budget	Actual	%change
Revenue	214.10	166.88	-22%	225.0	187.30	-17%
Expenditure	260.00	212.88	-18%	260.0	222.30	-15%
Balance	-45.9	-46.0		-35	-35	

## COMPARISON OF STATE BUDGET ESTIMATES

billion riyals

	1979/	1980/	1981/	1982/	1983/	1984/	1985/
	1980	1981	1982	1983	1984	1985	1986
Revenue	160	261.5	340	313.4	225	214.1	200.0
Expenditure	185.8	245	298	313.4	260	260	200.0
Difference	25.8	16.5	42	—	35	45.9	—

which is a natural substitute for imports.

Domestic liquidity has maintained a reasonable growth rate of 8.5 per cent during last year, while the Saudi riyal gained in value against all major countries except the US dollar. All in all, the 1985/86 Saudi budget, according to the ministry, "emphasises the rationalisation of expenditures. Administrative and consumption expenditures have been cut by 13 per cent as compared to the allocations of the previous year. Allocations for development projects and programmes have increased by 5 per cent, as compared to 46 per cent in the previous budget."

The new five-year development plan, which started on March 23, has been attracting equal prominence and, at a conference of Saudi business men in Riyadh at the end of March, King Fahd urged them to invest money in the Kingdom saying that such an investment would be safe and would offer good opportunities. The new plan has four broad themes: greater concern for efficiency of operations in the use of resources; a stronger focus on diversification and development production activities; a commitment to reduce the number of unskilled and manual foreign labour by more than half a million; and a clear emphasis on promoting private sector involvement in the development process.

At the same business meetings, Saudi Minister of Finance and National Economy Muhammad Aba Al Khail urged the private sector to expand its use of local resources. Indications are that economic growth is in favour of the private and not the public sector. There is potential for improving productivity, reducing costs, and for marketing and

accounting procedures. The SR1,000bn fourth development plan will allocate over half the amount to development expenditure, and the largest allocations will go to human resources (SR135.3bn), economic resources (SR130.7bn), health and social services (SR89.7bn), transport and telecom (SR76.9bn), and municipalities and housing (SR 67.4bn).

According to the ministry of planning the plan comprises 3,226 development projects and 1,444 would-be new projects, while the rest are those on which work has already been started. The new plan will concentrate on developing the three key sectors of industry, agriculture and mineral mining.

During the next five years, the government plans to spend some SR 31.8bn on developing water resources, and SR4.4bn on mining. The Kingdom's production capacity for desalinated water will increase by nearly 365,000cu m daily, and power-generating capacity will increase by 603 mW to 3,748 mW.

Agriculture, the government plans to survey and level more than 1.25m ha of land, to improve and develop irrigation covering more than 5,000 ha, and cultivate another 8,000 ha for grazing stock. In the industrial sector, the construction of four new refineries, along with further storage capacity and hydrocarbon pipeline projects is planned. Seven new industrial cities encompassing nearly 5m sq m are to be built.

The government also aims to double grain silo capacity to 1.9m tonnes, build 45 new hospitals — bringing the number to 138, providing a total of 27,857 beds, complete the first stage of the Eastern province International Airport, and increase the number of students in higher education to 28,208.

## Plan Highlights

### Total expenditure — SR1,000 billion

#### Development expenditure — SR500 billion

■ Human resources	SR 135.3 billion	27.1 per cent
■ Economic resources	SR130.7 billion	26.1 per cent
■ Health and social service	SR 89.7 billion	17.9 per cent
■ Transport and telecom	SR 76.9 billion	15.4 per cent
■ Municipalities and housing	SR 67.4 billion	13.4 per cent

### Development sectors

<b>Natural resources</b>	<b>55,037</b>	<b>100</b>
Water	31,789	58
Energy	18,821	34
Mining	4,427	8
<b>Producing sectors</b>	<b>87,054</b>	<b>100</b>
Electricity	41,932	48
Royal Commission for Jubail and Yanbu	30,000	35
Agriculture	10,810	12
Industry	4,241	5
<b>Service sector</b>	<b>64,821</b>	<b>100</b>
Commercial services	825	1
Banking and finance	60,100	93
Meteorology and environment protection	2,831	4
Standards and Specifications	507	1
Information and statistical data	558	1
<b>Social and cultural development</b>	<b>108,637</b>	<b>100</b>
Health	62,239	57
Judicial and religious sectors	18,501	17
Cultural information and youth welfare	13,817	13
Social services	14,280	13
<b>Human resources</b>	<b>136,173</b>	<b>100</b>
General education	85,232	62
Higher education	40,291	30
Technical education and vocational training	6,586	5
Institute of Public Administration	1,053	1
Manpower development	1,195	1
Science and technology	1,816	1
<b>Physical Infrastructure</b>	<b>150,760</b>	<b>100</b>
Transport	54,851	36
Postal services and telecommunication	28,581	19
Municipal and public works	63,500	42
Housing	3,828	3

SAUDI ARABIA

## SABIC PLANS PETROCHEMICAL SALE TO CHINA

Dubayy KHALEEJ TIMES in English 7 Jun 85 p 11

[Text]

TOKYO—Saudi Arabian Basic Industries Corporation (Sabic) has concluded an agency contract with Jepsen Company of Hong Kong to market Saudi Arabia's petrochemical products in China.

Nihon Keizai Shimbun said in its evening edition that the Chinese market was promising, hence, Sabic expected that it could do good business with that country, especially in selling polythelyne which is in high demand for agriculture.

Sabic will produce 2.6 million tons of petrochemical products annually, 20 per cent of which will be consumed locally and the rest will be earmarked for overseas markets, the paper said.

Sabic, which has built storage and marketing facilities in Singapore and Hong Kong, where it established an office recently, has found that Southeast Asia, including China, is a high-growth market, it added.

The newspaper quoted foreign ministry sources here as saying Saudi Arabia and China had shown flexible stance towards each other and seemed to separate diplomacy from economy.

### Relaxation

● Japan under pressure from the West, plans to open its doors to the import of petrochemicals previously barred from entry under Japanese trade law.

Finally bowing to demands from the US and Europe, the Japanese Minister of International Trade and Industry Keijiro Murata is to announce next month plans to import petrochemicals from Kuwait, Libya and Saudi Arabia.

The US and Europe had feared that unless Japan opened the doors to these oil products, the excess would flood their markets.

The three Arab oil-producing countries will be capable of refining about 60 million tons of oil per year by 1987, according to European Economic Community estimates. They can now export 50 million tons of petroleum products, 20 million of which could be imported annually by the EEC with the remainder being bought by the US and Japan, according to a proposal put forward by EEC energy director-general Christopher Audland.

The Japanese Ministry of Trade and Industry is now in favour of accepting the demand and adopting a policy of importing 'reasonable' quantities of petroleum products, Japanese sources told Kuna. However, the Energy Agency of Japan says that the EEC has overestimated the three Arab countries' average refining capacity.

Therefore, the agency is to study the oil situation and set the volume for Japanese imports of such products accordingly.

CSO: 4400/197

26 July 1985

## PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN

## FISHING PORT DEVELOPED WITH SOVIET AID

Aden 14 UKTUBAR in Arabic 31 Mar 85 p 3

[Article by 'Abdallah Muhammad Hashim: "Aden Fishing Port a Multipurpose Fish Depot"]

[Text] The Aden fishing port is considered to be one of the most important projects to be implemented with Soviet aid. The cornerstone of this vital port was laid on 30 November 1978 and \$40 million have been set aside to build it.

The actual implementation of the project began in 1980, as 1979 was considered to be a preparatory year. Work is being conducted in a highly efficient manner since the average rate of construction work completed during the 1980-82 period reached 104 percent.

The Aden fishing port will comprise several sections:

1. The jetty. This will measure 422m and will consist of a jetty for large vessels up to 321 meters and a jetty for small vessels up to 121 meters.

The jetty will be divided into two sections, depending on the type of services offered: a section designated for loading and unloading and the other section to be used for ship maintenance and repair.

2. Cold storage. Attached to the port will be a refrigeration unit to preserve the catch with a capacity of 3,000 tons, including a cold storage plant with a capacity of 100 tons daily and a 200 ton capacity chilled warehouse, in addition to a freezer with a 25 ton daily capacity. The preservation and freezing units are for preserving the fish after they are unloaded directly from the fishing boats.

The cold storage facility will have an important role in the future, with the reliance on the preservation of commercial products in particular and at the same time with the creation of value tied markets rather than direct sale marketing at sea, especially squid, at prices that are not at the level of the posted world prices under most conditions.

There are some technical units attached to the chilled storage units to handle the fish, such as [units designed to produce]:

--5 tons of sliced fish daily  
--11 tons of smoked fish daily  
--5 tons of dried fish daily  
--5 tons of salted fish daily

The Aden fishing port will include a large central repair facility and two small ones. These repair docks and a floating dock with a 1,500 ton load capacity will be used for maintenance and repair of the fishing vessels. These repair facilities are intended to reduce the vessels' repair costs and to speed up maintenance so as to provide extra days for the fleet to be engaged in the profitable activities of fishing.

The Aden fishing port is rightfully considered to be the fruit of the technical and economic cooperation between our country and the Soviet Union. It is at the same time considered to be a multipurpose fish complex.

9614  
CSO: 4404/314

PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN

ABYAN ELECTRICAL, WATER PROJECTS REVIEWED

Aden 14 UKTUBAR in Arabic 4 Apr 85 p 3

[Article: "Projects For the Last Year of the Development Plan Progressing Well in Abyan Governorate"]

[Text] Investment allocations for Abyan Governorate for the last year of the second economic and social development plan amounted to 14,016,963 dinars. This points out the importance that the party and the state attach to making available financial credits in order to carry out the projects, among which are those related to public services like electricity, water and roads.

In this sphere, there are four electricity projects: a project to strengthen and increase power generation at Ja'ar station; bolstering the main grid (the completion rate reached 100 percent with the completion and installation of the generators and the transfer of the principal grid from Aden to Lawdar directorate; and the al-Mahfid electricity project. The principal grids in al-Mahfid have been 70 percent completed. This is the first step to lighting the town of al-Mahfid, the capital of the district, which electricity will reach for the first time.

With respect to the Muhayris electricity project, 100 percent of the project equipment has been purchased.

As for water projects, these have been favored with special attention. Indeed, purified water has become available in most of the towns and villages of the governorate because of water projects such as the al-Kawd water project, where the construction of a reservoir with a capacity of 75,000 gallons has been 100 percent completed; an artesian well has been dug, its pumphouse built, and a water system has been laid in the town, involving the excavation and installation of 1,185 meters of 6-inch pipe, 1,990 meters of 2-inch pipe, and 100 meters of 1.5-inch pipe, all of which has been 100 percent completed.

Similarly, the construction of a 40,000 gallon stone reservoir has been completed as part of the al-Mahfid water project and a pumping station has been built. The local pipeline system has been laid and three artesian wells and one test well have been excavated in Labakha. The water projects in

'Arib and Mudiyah have reached 51 percent and 100 percent completion rates, with 13 pure water distribution centers for the villages in Mudiyah having been built. There are some difficulties standing in the way of the progress of the work on the Shaqrah water project, which had been started previously. These derive from the conditions of the region, which suffers from high water salinity.

Financial credits earmarked for electricity and water last year amounted to 360,800 dinars, in addition to the local water and electricity projects in which the governorate shared 50 percent and the citizens contributed the remainder. These projects helped to introduce electricity and pure water to the remote rural areas of the governorate and the surrounding regions and contributed to improving its transmission.

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CSO: 4404/314



PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN

BRIEFS

ADEN BRIDGE CONSTRUCTION--Fadl Muhsin 'Abdallah, a member of the [YSP] Central Committee and minister of installations, yesterday morning inspected the Aden Governorate bridge rebuilding project being undertaken by a German Democratic Republic road construction company. During the visit, Comrade Fadl Muhsin was briefed on the progress of work at various project sites. He praised the efforts exerted by the Yemeni and German engineers and laborers in implementing the project, the first stage of which is to be completed next October and which will cost 4.5 million dinars, financed locally. This will coincide with the convening of the 3rd general congress of the Yemeni Socialist Party. Accompanying him on his tour was Eng 'Abd-al-Rahman 'Ali Shukri, director general of the roads department, and a number of officials from the ministry and the department, as well as the economic counselor at the GDR embassy in Aden. [Text] [Aden 14 UKTUBAR in Arabic 21 Mar 85 p 2] 9614

AGREEMENT WITH DENMARK--Yesterday afternoon at our Embassy in London an agreement was signed between the government of the People's Democratic Republic of Yemen and Denmark. According to this agreement, Denmark will provide economic assistance to PDRY in the amount of 90 million kroner (\$9 million). Signing on behalf of Yemen was Salih 'Abdallah Muthanna, our ambassador to the United Kingdom and non-resident ambassador to Denmark. Signing for Denmark was the minister plenipotentiary at the Danish embassy in London. [Text] [Aden 14 UKTUBAR in Arabic 12 Mar 85 p 1] 9614

KHALAF PORT--Final arrangements are currently underway to complete the installation of Khalaf port in Hadramawt Governorate. The executive office of the local people's assembly in the governorate in its regular session held yesterday and chaired by Comrade Muhammad Ali Ba Shammakh, the nominee of the central committee for head of the executive office, had approved these arrangements and the decisions made with the aim of speeding up putting the port into operation. In this session the assembly discussed other reports, among which were those regarding the construction committees in the private sector and another on the reorganization of agricultural cooperatives and an assessment of date production conditions. It also approved the results of the fourth session of the office. The executive office came out with a number of decisions and recommendations regarding the issues entered in its agenda. [Text] [Aden 14 UKTUBAR in Arabic 27 Mar 85 p 2] 9614

CSO: 4404/314

INDIA

PRESS REPORTS ON GANDHI VISIT TO WASHINGTON

Analyst on Expectations

Madras THE HINDU in English 11 Jun 85 p 9

[Article by G.K. Reddy]

[Text]

NEW DELHI, June 10.

The U.S. Government has been privately cautioning both in Delhi and Washington, against any excessive expectations of a spectacular upsurge in Indo-American relations as a result of Mr. Rajiv Gandhi's visit, since the persisting differences over many issues cannot be sorted out overnight even with the best of intentions.

The main emphasis at present is on removing the avoidable strains through a frank exchange of views on each other's concerns and compulsions.

The U.S. is no longer insisting that India should move away from Moscow to demonstrate its desire for better relations with Washington. The Reagan Administration, on the contrary, has from all accounts reconciled itself to the thought that it is both possible and desirable for India to have reasonably good relations with both the superpowers without leaning heavily on either.

**Fact of life:** It is this readiness to accept India's ongoing relationship with Moscow as a fact of life that has opened the way for the current U.S. efforts to reduce this dependence to some extent through countervailing links based on technology transfers, capital flows and increased trade. The U.S. is also inclined to reconsider its restrictive economic policies towards India and relax the squeeze on concessional assistance by the World Bank and other international institutions.

**Limiting arms supplies to Pakistan:** But at the political level, it has been made quite clear that the farthest the U.S. is prepared to go to mollify India is to restrict its military assistance to Pakistan to weapon systems that are relevant to its legitimate defence requirements

against the Soviet pressures through Afghanistan. The Reagan Administration will not abandon its policy of arming Pakistan, but it will pay greater attention hereafter to the Indian objections that some of the highly sophisticated equipment sought by the Zia regime, like the Hawkeye airborne radar system, the Harpoon missiles, the Mohawk battlefield surveillance aircraft, the Vulcan Phalanx air defence equipment, the improved tow missiles for anti-tank warfare, the 155 mm howitzers and the updated offensive capabilities of F-16 aircraft, could be used only against it in the sub-continental terrain.

**Joint commitment on the bomb:** As far as Pakistan's nuclear ambitions are concerned, the U.S. is not likely to respond to Indian pleas to exert pressures on the Zia regime to refrain from making the bomb under the guise of developing explosion technology to harness atomic energy for peaceful purposes. But the U.S. has started mooted the idea of a joint commitment by India and Pakistan not to go in for nuclear arms, along with adequate safeguards against possible violations, which would amount to signing or submitting to the nuclear non-proliferation treaty with all its discriminatory provisions.

**Sri Lanka issue:** The U.S. has indicated its readiness to help India and Sri Lanka in finding a political settlement to the Tamil problem within the framework of a sovereign Sri Lankan State. It has welcomed the broad understanding reached at the Delhi summit to end the terrible bloodshed in the island and strive for a negotiated solution that would give the Tamil minority the substance of regional autonomy on the Indian pattern.

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**Relations with Nepal, Bangladesh:** The U.S. also wants India to pursue with greater vigour its new policy of improving relations with its neighbouring countries, Nepal and Bangladesh, by responding more sympathetically to some of their grievances. The U.S. has been privately lending support to the Nepalese proposal for a so-called zone of peace, while urging that Bangladesh with its many blind spots deserves better consideration.

The U.S. is prepared to underwrite the primacy of India in South Asia, but, in return, it expects this country to adopt a softer attitude towards the neighbours to enable Washington to press forward with its own geopolitical and geostrategic pursuits in the region without Ind-

ian opposition. It also expects India to take a more sympathetic view of the American position in the Gulf area, without prejudice to its stand on the West Asian situation.

**Not expecting too much now:** It will take some time for all these bits and pieces of American policy to fall into a pattern that would be more acceptable to India even if Mr. Rajiv Gandhi's visit to Washington goes off well as expected by both the Governments. But what is important is that in its understandable desire to improve relations with India, and, in the process, progressively reduce the country's dependence on the Soviet Union, the U.S. is taking care to avoid unduly high expectations by opting consciously to move forward slowly rather than hasten suddenly with all the attendant risks of a setback through miscalculation.

### Arms Deal Speculation, Speech to Congress

Madras THE HINDU in English 15 Jun 85 p 1

[Article by R. Chakrapani]

[Text]

WASHINGTON, June 14.

Contrary to some reports here, there has not been much movement on the question of Indian purchases of defence items, and the Prime Minister, Mr. Rajiv Gandhi, himself has said, "We have not discussed this in any very great depth."

He said there were certain conditions of weapons sale in the U.S. which were not acceptable to India. Principally, there were two problems. "The terms of supply can be altered retroactively by the United States, and we have doubts about the reliability of the United States as a supplier of spare parts and other equipment."

It would take time to establish confidence in Washington as an arms supplier, Mr. Gandhi said.

The Prime Minister's response to reporters puts the issue of purchases of defence items in perspective. Pentagon, however, has been pushing for obtaining a share of the sizable Indian military purchases abroad for American armament producers. It was reported by *Washington Post* yesterday that the administration had decided to provide "advanced military technology and weaponry" to India.

#### America's offer

Aside from direct sales, the U.S., which concluded an agreement with India on transfer of high technology which would enable it to import technology for agriculture and industry as well as military purposes, has expressed its readiness to consider specific military technology areas in which India may be interested. The underlying U.S. strategy is to reduce Soviet predominance in the sale of military items to India. India will probably like to consider all implications before deciding to include the U.S. in its policy of diversification as regards military purchases.

The State Department was also discouraging speculation about an arms deal between India and the U.S. Its spokesman, Mr. Barnard Kalb, had this to say: "We expect that there will be some general discussions on arms sales but this is not a central issue in our talks. The Indians are not on a shopping visit and we are not pushing such sales."

"The United States has been willing to sell arms to India and in the past there have been some modest sales over the years. We are prepared for a more active arms relation, if the Indians so desire."

#### Festival opens

It was the third day of his U.S. visit for Mr. Gandhi yesterday. The schedule was as crowded as Wednesday, and the day's climax was the formal inauguration of the 'Festival of India' with a concert given by Ravi Shankar on the sitar, Ali Akbar Khan on the sarod and Zakir Hussain on the tabla. Mr. Gandhi and the U.S. Vice-President, Mr. George Bush, were present in the VIP balcony with their spouses. So too were the Secretary of State, Mr. George P. Shultz and Mrs. Shultz. The concert and a 'Kathakali' performance given by the Kerala Kalamandalam Troupe ushered in the 18-month long festival which will be held in 90 cities and 37 States with potential for their enlargement depending upon requests.

#### 'Shift in Afghan policy'

Yesterday's highpoint of the Rajiv visit was his address to a joint session of the U.S. Congress. One aspect of the address which is receiving headline attention is his references to the Afghanistan problem.

His call for a political settlement in Afghanistan "that ensures sovereignty, integrity, inde-

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pendence and nonaligned status, and enables the refugees to return to their homes in safety and honour" is seen by some American analysts as a "shift" in the Indian policy.

The State Department reacted thus: "What is remarkable is that he brought it up before the U.S. Congress in this way, in terms of the clear desire for a Soviet withdrawal and the re-establishment of an independent nonaligned Afghanistan. He has never said this publicly."

Other observers noted that Mr. Gandhi, at the same time, had called for an end to "outside interference" both in Afghanistan and South West Asia. "Outside interference and intervention have put in jeopardy the stability, security and programme of the region", Mr. Gandhi said, "We are opposed to both foreign presence and pressures."

Also of interest was a call on Mr. Gandhi by the well-known scientist Mr. Carl Sagan who is vigorously campaigning for an end of the nuclear arms race. He has propounded a theory with which even a Pentagon-appointed study group has concurred on the possibility of a "nuclear winter" which will shut out the sun and thereby lead to sub-zero temperatures and all end to life and vegetation.

The main purpose of the astronomer's visit was to present to the Indian Prime Minister a statement signed by about 80 Nobel Prize win-

ners and others supporting a call by Mr. Gandhi and leaders of five other nations for a halt to the testing, deployment and production of nuclear weapons.

About his current visit, Mr. Gandhi said: "I have found tremendous response and understanding, to some extent, of what India is trying to do. There are differences in approach between the two countries. We are two different nations at far different stages of development. In our talks, there was understanding and a feeling that we could work together for what both of us feel is part of our aim — a free, just society. I think we have laid a good foundation which is really a second step of what we did in the 1982 visit. We are building on that. I see scope for building even better in the future."

To a question on Sri Lanka Tamils, he said he had had talks with President Jayewardene and his attitude was positive. "We are pleased to see a change in the attitude of the Government of Sri Lanka. They have accepted that a political solution is the only means of solving the problem and they will work towards that. We think it could come to a happy conclusion."

Asked to sum up his Washington visit, he replied, "Friendship and understanding. This sums up very nicely. We can build up from that."

#### Press Club Speech, TV Interview

Calcutta THE SUNDAY STATESMAN in English 16 Jun 85 pp 1, 7

[Article by Warren Unna]

[Text] Washington, June 15--India's Prime Minister, Mr Rajiv Gandhi, concluded a 3 1/2-day stay here this morning and left behind a general impression that he was every bit up to the advance billing: he is indeed a young, modern, well-informed, pragmatic leader, the very type that Americans can like, understand and deal with.

Take his forthrightness at yesterday's televised National Press Club luncheon. An aide tipped him off to the fact that the audience contained Ganga Singh Dhillon, the Sikh-American who is Khalistan's leading publicist, in company with a group of saffron-turbaned Sikh extremists and their host, Nayyar Zaidi, the American correspondent for Pakistan's leading daily newspaper, Jang.

Therefore, when questioned about the possibility of an independent Khalistan being carved out of India, Mr Gandhi had not only an instant "No," but added: "I see some of our Sikh friends in the corner and I will remind them that in the old days, when there was an independent Sikh kingdom, its king made his capital in Lahore."

The Prime Minister was educating his American audience to the fact that the Khalistan proponents have scrupulously avoided claiming any part of the real region of their roots--lest it offend their Pakistani patrons.

And, in subsequent appearances last night before large and separate gatherings of the newly-formed Indian National Congress of America and the India-American community of the Washington-Baltimore area, he urged them not to be taken in by a small group of wealthy Sikhs proposing Khalistan from North America. He said they receive no backing from the majority of Sikhs back home, who want to be reconciled with a united India.

#### TV Interview

Take Prime Minister Gandhi's forthrightness at last night's interview on the highly-respected McNeil-Lehrer public television programme. Asked if he considered India closer to the Soviet Union than to the U.S., Mr Gandhi stared straight into the television audience's eyes and declared: "I think at the moment, yes." Why? "We've had problems. We felt you tilted against India, that you stopped aid when it was unjustified." Would he like India to maintain that preference?" "No."

For decades now, dating back to Mr Gandhi's grandfather, Prime Minister Jawaharlal Nehru, and his potent adviser, Krishna Menon, and repeated again with his mother, Prime Minister Indira Gandhi, Americans have fumed at India. They have been convinced that India applied a double standard, demanding a higher performance from them than from the Soviets. And Americans have fumed even more that India's leaders always alibied in denying this. Now comes candour: acknowledgement of the known situation, a credible explanation why, and space for a change. This is an attitude Americans are accustomed to dealing with.

#### Star Wars

Take Mr Gandhi's unqualified disapproval of U.S. President Ronald Reagan's desire to be applauded for an enormously expensive laser system in outer space purposed to shoot down approaching enemy (i.e. Soviet) missiles, the so-called "Star Wars" programme.

India's Prime Minister not only said he was flatly against it, he went on to say he remained unimpressed when Mr Reagan dispatched his Secretary of Defence, Caspar Weinberger, his Disarmament Adviser, Paul Nitze, and the "Star Wars" commandant, General Abrahamson, to sell him on it (complete with the Pentagon's favourite persuasive device, the portable slide show of maps and graphs). And he gave his reasons: "We feel every time a defensive system has been developed, another system has been developed by the other side to counter it," he told his National Press Club luncheon audience.

He also referred to the tremendous complications of developing such a system. Just the physical task of identifying some 10,000 different missiles and decoys in the atmosphere and deploying the warheads to shoot them down would require not only a massive computer, but perhaps a second and third computer

to send signals to the first one. "That will mean that the human being has been removed from that chain. Every machine is capable of making mistakes and there will be no time for any correction. The world is finding it hard enough for controlling the arms race today without adding a new dimension," Mr Gandhi declared.

#### A Modern Man

This was a modern man talking with a mastery of arcane technology. The Prime Minister was given a loud applause.

Take the matter of Afghanistan, a subject of contention between the U.S., which thinks India has been afraid to tell the Soviets to pack up, and India, which thinks the U.S.'s confrontational approach and not-so-secret military aid to the Afghan guerrillas will serve to make the Soviet occupation only more stubborn.

First, India's Prime Minister corrected front-page stories in yesterday's editions of both the New York Times and the Washington Post declaring that India suddenly had been persuaded to shift its policy and now was for a non-aligned Afghanistan. Mr Gandhi said this position dates back to 1981, was re-affirmed in 1983, and if U.S. officials were putting out that this is something new they hadn't bothered to read the texts.

But last night, during the McNeil-Lehrer television interview, he gave an unqualified "yes" when asked if India wanted the Soviet troops out of Afghanistan. He also indicated that the new Soviet leader, Mikhail Gorbachev, during Mr Gandhi's recent Moscow visit, seemed anxious to end the Soviet involvement. Mr Gandhi revealed that he sensed the Soviets now would "accept a neutral, non-aligned Afghanistan"--presumably the same sort of Afghanistan which existed before the recent series of coups and counter-coups.

But Mr Gandhi emphasized that this would only be possible if there was an end to the arms and money the anti-Soviet Afghan guerrillas were getting from the outside (i.e. the U.S.). He acknowledged that he had told all this to President Reagan during their talks here on Wednesday. The Prime Minister indicated that if the two superpowers moved enough toward agreeing to resolve the Afghan crisis, India, which has good relations with both, might take some initiative as a peacemaker.

Asked at yesterday's National Press Club luncheon whether he had any plans to free All India Radio and Doordarshan from Government control, Mr Gandhi quickly replied: "At the moment, no. We feel India is not ready for it yet." And then he added: "Our Press is absolutely free and, in fact, I sometimes feel it is even worse than your Press."

He was throwing down the gauntlet in the inner sanctum of America's media. But they applauded, because it was done with a smile and humour.

Mr Gandhi's tendency to smile and then come out with some terse jab was evidenced on another subject. This is the reluctance of the U.S., particularly the Pentagon, to approve the exchange of some U.S. advanced technology which might have dual use in weaponry, and then these secrets might find their way to the Kremlin.

#### Naval Spy Ring

The Prime Minister said he had been reading American newspapers lately, papers which his audience knew have been full of accounts of the exposure of a U.S. naval spy ring marketing highly-sensitive secrets to the Soviet Union over perhaps two decades. Mr Gandhi then smiled and said he assumed the Soviets already had "enough secrets."

In almost all of his appearances here, Prime Minister Gandhi has spoken extemporaneously. But he never seems to be at a loss for answers to questions, conveys the impression of being very well-briefed and, despite the killing pace of his American visit, remains alert and beaming good health. In his one prepared text, the address to the joint session of the U.S. Congress on Thursday, Mr Gandhi was up until 3 a.m. working out what he wanted to say, and then up again and downtown for an 8 a.m. breakfast with the U.S. Chamber of Commerce.

His Press adviser, Sharada Prasad, said Mr Gandhi once told him he needs only 4 1/2 hours of sleep a night, and feels positively groggy when it slips to five.

#### Press Club News Conference

New Delhi PATRIOT in English 17 Jun 85 p 1

[Text] Washington, June 15 (PTI)-- The Prime Minister, Mr Rajiv Gandhi, has expressed confidence that his discussions with the American leadership during his current U.S. tour would improve Indo-American understanding on various issues.

Following are excerpts from Mr Gandhi's press conference at the National Press Club.

In a statement before taking on questions, Mr Gandhi started on a light note remarking that the last time he visited the press club (with Mrs Indira Gandhi some years ago), "we almost missed the lunch: we got stuck in the elevator."

He said it was pleasant to be in the United States and to have had discussions with the American leadership. "President Reagan and I have had very warm and open talks without any strain. And I think we got along very well together. I found him very forthright, easy to talk to and most of all very human. And that is the type of relationship we look forward to with the United States.

"Yesterday also I was given an opportunity to talk to the joint meeting of the Congress. It was an exceptional honour for me and for India to have been given this opportunity. Our two governments have our pre-occupations and our concerns. We look at the world from different angles. The U.S. is an advanced country, one of the major powers. India is a developing country and our perspectives therefore must be different.

#### Common Ideals

"I am sure that this visit and the improved understanding that will come about from it will help both our countries work for our common ideals."

Turning to the situation in India, Mr Gandhi said: "We have gone through many changes. There is an impression that I have started many revolutionary changes and we are sweeping aside the old and bringing in the new. This is not in fact the case.

"We only started doing what had been started in 1980 by my mother. We are only accelerating it, maybe doing it a little faster. But the process had been set in motion with the previous Congress government. We are continuing that.

Mr Gandhi said that today India could look ahead and try to catch up with the more advanced countries because in the past 38 years a very strong foundation had been laid by the previous government.

"Wherever we have attempted a particular task, we have been able to achieve that task.

"We have tremendous reserves--I say reserves and not drain--of brain in other countries. It is a reserve because when we are ready to use it, when the opportunities will exist in India, I am sure they will all come back to work for our country."

The question-answer session followed Mr Gandhi's opening statement with queries sent in by members being asked by the president of the club.

The first question was about non-alignment and India's relations with the United States. "Why do the Indian Prime Ministers feel more attracted to the Soviet Union than the United States," he was asked.

Mr Gandhi: I don't think we are more attracted to the Soviet Union than to the United States. We look to see what is beneficial for India, what is beneficial for the developing world. And we stand up for it, take decisions, even though they may be difficult for us economically, on certain principles which we hold dear, principles of our own independence, our own freedom of action, our own right to stand on our own feet in the world and not being tied to the apron strings of any major power.

"And India will remain independent. We will take our position on issues as we feel fit and as we think right. We do not bend in either direction."



Asked if chances of good relations between India and Pakistan would be jeopardised if the U.S. continued to give "essentially defensive weapons" to Pakistan, Mr Gandhi replied amidst laughter that it was difficult to decide "what is an essentially defensive weapon."

He added: "Our main objection to weapons to Pakistan--and many of the weapons will be certainly not defensive--was because we have to counter it by buying and procuring weapons ourselves. This meant diverting scarce resources to armaments. "We would prefer that these resources are put into the development process for the benefit of our people instead of propagating an arms race in the sub-continent."

Mr Gandhi received applause from a large number of pressmen when he explained India's opposition to the "Star Wars" programme.

The Prime Minister stated that despite a briefing earlier in the morning, he was not convinced of its suitability to the world today.

He said: "We must feel firstly there can be no foolproof defensive system. Every time a defensive system has been developed, an offensive system has been developed to overcome that defensive system. That is history and it cannot be changed."

Secondly, the complications of developing such a system were tremendous. Just the physical task of identifying maybe 10,000 different missiles and objects in the atmosphere or outside the atmosphere, of identifying the war-heads and then destroying them, would require a massive computer.

#### Machine Age

"The programme for that computer will be so complicated it may require another massive computer to write that program."

"We do not have any human beings who can check that programme and maybe you need a third computer to check that programme."

This meant that the human being was removed from the chain. This was a "most dangerous trend."

"We are against any escalation in the arms race. The world is finding it hard enough to control the arms race today, without adding a totally new dimension...We feel this will only escalate the race and make it more complicated and much harder to climb down from the levels of tension that has been reached."

Replying to a question on Nicaragua, Mr Gandhi said "we are against any intervention in the internal affairs of another country, whether it is by infiltration, by terrorist methods or any other external pressures. We are for allowing the countries to choose their own future."

Asked how the United States could break the "cycle of distrust and suspicion" by India about its reliability as an arms supplier, Mr Gandhi said this was something which could be built up over a period of time by concentrating on critical areas.

Asked if any arms deal between India and the US was in the offing, Mr Gandhi said amidst laughter: "No, I did not really come here to discuss deals."

Mr Gandhi explained India's objection to signing the nuclear proliferation treaty. "We feel that NPT is very unfair. It has two different levels of controls. It treats nuclear weapon powers and non-nuclear weapon powers differently." India would not change its policy.

Asked whether India was in favour of a nuclear-free zone in South Asia or signing of a non-aggression pact as proposed by Pakistan, Mr Gandhi said:

"We are in favour of a zone of peace in the whole area including the Indian Ocean and that includes no nuclear weapons to be in that area. There are many proposals which Pakistan has put up. There are many more which we have put up. We are discussing them and I am sure with these discussions we can move closer.

"But we are sceptical about their (Pakistan's) nuclear programme. They have substantial enrichment facilities and they have no way of using enriched uranium. Their power plants use natural uranium. We wonder where the enriched uranium is going."

Question: Could you specify where you think it is going?

Mr Gandhi: "We can all guess (laughter)."

About Afghanistan, Mr Gandhi referred to the cheers received by him when he addressed U.S. legislators. There seemed to be an impression among them that he was saying something new on the subject although the Indian position was the same for the last five years, he said.

He suggested that the U.S. and the U.S.S.R. should sort it out by discussion.

About West Asia, Mr Gandhi was asked whether he had brought any message from the PLO leader, Mr Yasser Arafat, to the U.S. administration.

Mr Gandhi: "I have not brought any message from Mr Yasser Arafat or anyone else. We try not to be messengers," (laughter).

Reverting to U.S. arms supplies to Pakistan, one of the pressmen asked whether with the "multibillion dollar arsenal" backed by Soviet technology, India felt threatened by Pakistan's acquisition of 40 F-16 aircraft from the U.S.

Mr Gandhi: "As I said already we do not feel at all threatened. The problem is we have to divert scarce resources to weapons. We do not like doing that."

Report on Communique

New Delhi PATRDOT in English 17 Jun 85 p 9

[Article by R.K. Mishra]

[Text]

**Houston, Texas, June 16**

India and the United States have agreed to differ "on problems of security in South Asia" particularly about the role of Pakistan.

These differences are reflected in the Indo-US joint statement issued at the end of Prime Minister Rajiv Gandhi's five-day visit to the United States. The statement said "the Prime Minister and the President considered in detail the situation in the South Asian region and in that context they expressed their respective views and concerns about the regional security environment". Observers noted the use of the formulation "their respective views" which signified that differences in the Indian and American perceptions could not be abridged despite Mr Gandhi's talks with President Reagan and his aides at several meetings.

Reference to Pakistan's drive to acquire nuclear weapon was conspicuous by its absence in the joint statement. However, Prime Minister Rajiv Gandhi welcomed the US President's "desire for continued consultations and close cooperation with the Indian Government on the international dimensions of terrorist violence against India". Diplomatic observers said this formulation in the joint statement was an implicit American acceptance of New Delhi's view that the terrorist actions in India had foreign connections.

The joint statement placed on record that the Prime Minister and the President welcomed the approval of the programme for the advancement of commercial technology which promises to provide important links between Indian and the American firms in scientific and technical research in developmental areas.

Mr Reagan conveyed the US readiness "to share with India its experience in reducing pollution in large river systems".

A start has already been made with the recent exchange between pollution control specialists on the possibilities of Indo-US collaboration in the Ganga Action Plan, the statement noted

The statement indicated that discussions on bilateral tax treaty which the US side had raised during the talks remained inconclusive. President Reagan and Prime Minister Rajiv Gandhi "discussed a wide range of questions relating to the world situation, to their respective regions and to their bilateral relations", the statement said. They reviewed major issues affecting peace, security and economic development and "agreed that the two governments would remain in close touch to enhance their mutual understanding", the statement said. It was thus clear that in these areas also there was wide difference of opinions and perceptions between the two leaders. They stressed the importance of nuclear disarmament and welcomed the resumption of arms control negotiations as a step towards the elimination of nuclear weapons.

Encouraged by the success of science and technology collaboration programme which has been extended by an additional three-year period, the two leaders decided to initiate two new efforts. The first is a vaccine action programme to develop and produce new and improved vaccines against major communicable diseases. The second is a long-term research and technology development programme covering activities in agriculture and forestry, health and nutrition, family welfare and biomedical research and industrial research and development, the joint statement said.

Agencies add: the Prime Minister reaffirmed their faith in the democratic way of life. The enthusiasm and vigour with which the two peoples participated in the democratic processes last year further confirmed the historical experience of the two countries that democracy is not merely just, it provides an effective and efficient instrument of peaceful change and development.

It said the two leaders noted with concern the emergence of organised terrorism as a threat to peace and democracy. They urged all governments to take appropriate steps to combat this new danger.

26 July 1985

The President and the Prime Minister reviewed bilateral relations between their two countries. They reaffirmed their desire to broaden these ties, and in this regard they pointed to the wide range of programmes and cooperative ventures, either already undertaken or currently being planned. Each reiterated his conviction that their continued high-level dialogue would strengthen the promotion of universally shared goals of peace and prosperity.

The statement said the Prime Minister and the President agreed that the current cultural festivals in both countries would make a significant contribution to improving mutual understanding, an important goal for both nations. They discussed other activities that might serve to perpetuate the spirit of the festivals, including development of cooperative programmes in education and exchange programmes in diverse fields. They agreed that such programmes served their mutual goal of broadening people-to-people contact between their two countries.

The two leaders agreed that the science and technology initiative, begun after Prime Minister Indira Gandhi's

visit in 1982, has been highly successful in fostering productive science and technology collaboration between India and the United States. It was agreed that the programme would be extended for an additional three-year period beginning in October 1985.

The joint statement noted that India has made substantial progress over the past decades in expanding agricultural production and diversifying its industrial base. The World Bank and its affiliates have made a significant contribution to this process. The United States strongly supports the continuance of their important role in India's economic development. The Prime Minister noted with satisfaction the recent approval of a collaborative India-World Bank-USAID national social forestry project to help the conservation and expansion of India's forest resources.

The Prime Minister expressed his sincere gratitude to the President and the people of the United States for the warm welcome accorded to him and his delegation. He renewed the invitation to the President to pay an official visit to India, which the President gladly accepted, the statement added.

#### Analyst's Evaluation

Madras THE HINDU in English 18 Jun 85 p 9

[Article by G.K. Reddy]

[Text]

NEW DELHI, June 17.

The Prime Minister, Mr. Rajiv Gandhi, returns tomorrow from a highly successful, two-week-long trip to Egypt, France, Algeria and the United States, in the wake of his recent visit to the Soviet Union, with an enhanced reputation as a young and self-confident leader with a good grasp of the complexities of international relations.

He won the spurs wherever he went with an impressive articulation of the Indian point of view, saying candidly what needed to be said, without embarrassing his hosts.

The Paris visit helped heal the breach over the recent spy scandal and usher in a new era of extra cordiality in Indo-French relations. It is not without significance that, at the Indian Ambassador's reception, Mr. Rajiv Gandhi went out of his way to have a pleasant personal exchange with the expelled French Ambassador, Mr. Serge Boidevaix, who had to bear the cross for the misdemeanour of his Deputy Military Attache.

But at the same time the young Prime Minister did not allow himself to be unduly influenced by the extraordinary warmth with which he was received by the French President, Mr. Francois Mitterrand, the Prime Minister, Mr. Laurent Fabius, and other senior members of the Government. He did not make any major commitment to show special preference to France in deciding some of the pending defence contracts in addition to the on-going purchases.

**Only new deal:** The decision to buy six more Mirage-2000 aircraft in addition to the 40 that India is acquiring from France, was taken well before Mr. Rajiv Gandhi's visit, since the Indian Air Force wanted to have these extra aircraft to provide the two new squadrons that are being raised, with adequate reserves. The only new deal that had been carried forward during this visit related to the French offer to sell some 20-odd Dauphin helicopters for the proposed helicopter corporation to serve user agencies other than the Air Force from a centralised organisation.

The French have been pressing for an early decision on the big 155 mm artillery contract worth nearly Rs. 1,200 crores. But Mr. Rajiv Gandhi did not want his visit to be utilised for finalising any arms transactions which in his view should be concluded on merits at lower levels in the normal course.

The French are still the forerunners in the race for this big deal, with Britain, Austria and Sweden lagging behind, since the U.S. has practically opted out by adhering to its unacceptable conditions. A decision will be taken by the Government in the next few weeks after a Cabinet-level study has been made of the Defence Ministry's note containing a detailed analysis of the different offers under consideration.

**Excellent impression:** The highlight of the Prime Minister's foreign tour was the five-day trip to the U.S. which enabled him to make an excellent personal impression as an earnest, modest, well-meaning and out spoken young leader of a big country imbued with a technological vision of the future. He took all possible care to dispel the impression that he was tilting towards the U.S. and seeking a better understanding with it to move away from the Soviet Union.

The Prime Minister did not respond to the U.S. offer to establish an arms sales relationship at this stage, since it was liable to be misunderstood in India itself in the absence of adequate assurances that the country would not be called upon to pay a heavy political price for it. So he preferred to let matters rest as they are, with India having only a limited access to the American arms market for acquiring some highly sophisticated items like infra-red night vision equipment for tanks, electronic components for radar sets and some vital ancillaries for guided weapons.

Though much has been made of the Memorandum of Understanding on transfer of high technology, the fact remains that no mutually acceptable formula has yet been found for regulating the sale of latest computers that can be used for nuclear purposes. The U.S. continues to insist on stringent safeguards against any possible misuse of such equipment for unauthorised purposes and possible leakage of their technology to the Soviet Union.

**New style of relationship:** The two countries continue to differ on issues like American arms supplies to Pakistan, the nuclear ambitions of the Zia regime and the Soviet presence in Afghanistan, but what is important is that the new style of relationship set by the U.S. President, Mr. Reagan and Mr. Rajiv Gandhi will enable India and the U.S. to manage their differences through a continuous, cordial and frank dialogue in the future. The intention is to confine these differences to manageable limits and avoid recurring frictions, while striving for better understanding through frequent exchanges.

The Prime Minister has already said quite a lot on all these aspects of Indo-American relations and he will be saying more in the coming weeks to assure Moscow that he was not seeking to establish a closer relationship with the U.S. at the expense of India's friendship with the Soviet Union. But he has otherwise left his admirers and critics in no doubt whatsoever that he has no intention of remaining a prisoner of India's past predilections and that as a product of a different era he is keen on adjusting his policies to the dynamics of the changing times by widening the country's horizons and availing himself of help from all available sources.

#### Remarks on Return

Madras THE HINDU in English 19 Jun 85 p 1

[Article by G.K. Reddy]

[Text]

NEW DELHI, June 18.

The Prime Minister, Mr. Rajiv Gandhi, said today that both the United States and France had assured him that they would do their best to prevent Pakistan from developing nuclear weapons.

But it did not mean that Pakistan was not going to make the bomb, since all its nuclear activity was aimed at acquiring this capability despite strong international opposition.

So Mr. Rajiv Gandhi stressed that India must remain vigilant, saying that "it is for us to assess and see what happens", implying that the country had to keep its options open although it had no intention of competing with Pakistan at present.

The Prime Minister, who looked immensely satisfied with the outcome of his 14-day foreign trip, dealt with a wide range of subjects—from U.S. offer of arms sales and transfer of high technology, Pakistan and Afghanistan, the international economic order and developmental assistance, and non-alignment and fight against terrorism—in the course of a chat with pressmen at the airport.

**No differences with President:** There was no trace of any resentment or even embarrassment on his face when Mr. Rajiv Gandhi was asked about his alleged differences with the President, Mr. Zail Singh, since he dismissed the loaded question with a perfunctory reply that there were no problems between them.

The U.S. law on arms sales, he said, had been changed to some extent, but it was not adequate enough to provide the minimum guarantees required for ensuring fulfilment of the obligations in all circumstances. He was indirectly referring to the continued U.S. policy of retaining the right to cancel such contracts at any time or applying retrospectively any new laws that might be enacted for regulating such transactions.

**Still under consideration:** In voicing these reservations, the Prime Minister took care to avoid the impression that India had turned down the U.S. offer of arms sales. He indicated that the offer was still under consideration although no specific arms deals as such were being contemplated at present. The two sides needed some time to look into the legal implications and evolve agreed procedures for establishing an arms supply relationship in the prevailing political atmosphere.

The Prime Minister said India was not opposed *per se* to the U.S. supply of arms to Pakistan, although many of the highly sophisticated weapons systems that were being given could be used only against it. The main Indian objection to this U.S. policy was that the induction of these American arms into Pakistan compelled India to divert its scarce resources to the acquisition of a matching military capability to cope with the threat.

**Afghan issue:** Talking about Afghanistan, he said though India had not come forward with any initiative to resolve the issue, it had been fully supporting the U.N. moves to find a widely acceptable solution to it. During his talks with the American and Soviet leaders, he got the distinct impression that both super powers favoured an early settlement, despite their differing approaches to this problem.

The Prime Minister said he had "very good talks" with the U.S. leadership on many subjects and, though the two countries continued to differ on some developments, "our points of view have come much closer on certain issues". What was important in his opinion was that "where there were differences we discussed them openly" without any hesitation.

The whole purpose of these exchanges, he pointed out, was to see how India and the U.S. could establish better understanding and widen the areas of their cooperation without compromising the country's basic ideals and com-

mitments as a non-aligned nation. He seemed quite satisfied that his visit to the U.S. had contributed to this shared interest in better relations.

Mr. Rajiv Gandhi said many issues like international economic order, tariffs and trade and freer flow of international development assistance were discussed candidly with a view to reducing the differences and widening the areas of agreement. This was a continual effort that required periodic consultations through frequent contacts between the two Governments.

**Convention broken:** Almost the entire press conference was devoted to his foreign tour and very few questions were asked about the domestic situation. But a notable point raised by one of the correspondents related to the Prime Minister's relations with the President.

Asked why he had departed from the convention of 'calling on the President at regular intervals, especially before he proceeded on a foreign trip or after he returned from such visits, Mr. Rajiv Gandhi said good-humouredly that he had "broken convention" in many ways. He, however, hastened to add that he did have talks with the President as and when necessary on various issues, while stressing that there were no problems between them.

**PTI reports:** Asked whether Pakistan had protested against his criticism of that country on a foreign soil, the Prime Minister said he was not aware of any such criticism.

The Prime Minister was asked a number of questions on the new turn in Indo-U.S. relations and its possible impact on Indo-Soviet ties. He expressed the confidence that "our relations with the two super powers will continue to be more than cordial while maintaining our non-aligned position".

"Ours is the policy of non-alignment and not that of equidistance", he retorted when a correspondent used the phrase "equidistance" and said "if you people don't know this, how will you make others know about it".

Asked to spell out the areas in which he was not satisfied with the outcome of his talks with the U.S. President, Mr. Reagan, Mr. Gandhi said there was none but clarified that this did not mean there was understanding with the U.S. on each and every issue. For instance, he discussed the new international economic order with Mr. Reagan but they could not reach any conclusion.

**Charge denied:** The Prime Minister denied a charge that he had taken up with Mr. Reagan, the case of the release of Mr. Adil Shaharyar, son of Mr. Mohd. Yunus, from the U.S. prison.

"He (Mr. Shaharyar) felt that he had been unfairly convicted and took up the issue long back with the U.S. Government which in turn confirmed his feeling. I have not spoken to anyone about him", Mr. Gandhi said.

The Prime Minister observed that generally India pleaded the case of its citizens outside the country. But the case of Mr. Shaharyar was different and he himself had taken up the issue

Moscow Informed

Madras THE HINDU in English 19 Jun 85 p 9

[Article by G.K. Reddy]

[Text]

NEW DELHI, June 18.

The Foreign Secretary, Mr. Romesh Bhandari, has been sent to Moscow to keep the Soviet Government informed of the general outcome of the talks that the Prime Minister, Mr. Rajiv Gandhi, has had in Washington on various issues.

The two issues on which the Soviet Union would like to be briefed are the U.S. offer of arms sale to India and the talks the Prime Minister had on Afghanistan.

The Foreign Secretary, who accompanied the Prime Minister throughout his 14-day tour, branched off in Geneva and left for Moscow today on this delicate mission. He is due to get back to Delhi on Thursday after two rounds of talks with senior Soviet officials.

**No message from U.S. Govt.:** But Mr. Bhandari has not gone to Moscow with any message from the U.S. Government on the eve of the indirect talks in Geneva between Pakistan and Afghanistan under U.N. auspices. The U.S. and Soviet officials were due to meet today for talks on Afghanistan and, if Washington had anything new to convey to Moscow, it would be done during these exchanges rather than through India which is not directly involved in these negotiations.

**Policy on Afghanistan:** The Soviet Government would, however, like to be assured that

there has been no change in India's policy on Afghanistan in the wake of Mr. Rajiv Gandhi's visit to Washington. Though what he had said on Afghanistan, in his address to the U.S. Congress and at his press conference was, in effect, a restatement of the Indian position, he had certainly phrased it somewhat differently to make his homily a little more palatable to American opinion.

**Decision taken by P.M.:** The decision to send Mr. Bhandari to Moscow was taken by the Prime Minister himself, who felt that it would be a good thing to keep the Soviet leader, Mr. Mikhail Gorbachev, informed of his discussions in Washington.

A significant feature of the U.S. policy towards India is that, much as it would like to see India move away from its close relationship with Moscow to something analogous to a middle position, the Reagan administration is not doing anything to drive a wedge between India and the Soviet Union. On the contrary, the current U.S. attempts to establish closer links with India are being made in full awareness of the reality that Mr. Rajiv Gandhi is not going to turn his back on the Soviet Union.

So it would not be too difficult a task for Mr. Bhandari to assure the Soviet leadership that India was not trying to improve its relations with the U.S. at the expense of its well established friendship with the Soviet Union.

Approval from CPI

New Delhi PATRIOT in English 19 Jun 85 p 1

[Excerpt]

The CPI has complimented Mr Rajiv Gandhi for holding "high India's image" by forcefully projecting its foreign policy of anti-imperialism, peace, nonalignment and friendship with socialist countries".

Mr Gandhi's visits have had "a powerful impact" on the international situation and strengthened the movement for peace and unity of anti-imperialist forces. The CPI is happy that Mr Gandhi pledged full support to the people of Palestine and Namibia who are fighting for their freedom.

In a statement issued on Tuesday after the conclusion of the CPI's central executive committee meeting, the party has appreciated that Mr Gandhi during his US visit made it amply clear that India was opposed to the arms race, particularly the Reagan administration's "Star-Wars" programme and the militarisation of the Indian Ocean.

There has been a good response from the American public, including wide-sections of the intelligentsia and scientists, to this clear enunciation of India's anti-war stand.

The CPI is happy that Mr Gandhi pointed out to the US India's opposition to the supply of sophisticated weapons to Pakistan which forced India to divert huge amounts on defence preparedness. It also complimented Mr Gandhi for rejecting the US offer to supply arms to India with certain conditions.

The CPI said Mr Gandhi's US visit was a sharp contrast to his Soviet visit. His discussions with President Gorbachyov reaffirmed once again the similarity in the perception of the two

countries on major contemporary issues.

Highlighting the Rs 1,200 crore Soviet credit to India, the CPI has, however, warned that the full benefit of this easy loan can be obtained only if the "retrograde economic policies" contained in the budget were reversed.

The party has appealed to all democratic and anti-imperialist parties and forces to jointly enhance India's role in the world in the matter of safeguarding world peace, defending the security and integrity of the country and further strengthening India's ties with the Soviet Union, other socialist countries and the developing world.

#### CPI-M Reaction

Calcutta THE STATESMAN in English 19 Jun 85 p 9

[Excerpt] Our Special Representative adds from Delhi Mr B.T. Ranadive, CPI (M) Politburo member, has commented favourably on Mr Rajiv Gandhi's forthright stand on various international issues at his talks with the U.S. President, Mr Ronald Reagan in Washington, during which India's opposition to Pakistan's decision to manufacture a nuclear bomb and acquire sophisticated arms and military equipment was made clear.

Mr Ranadive said the Prime Minister had rightly reiterated India's position on Afghanistan. What indeed pleased the seniormost CPI (M) Politburo member most was Mr Gandhi's reaffirmation, in a straightforward manner, of India's friendly relations with the Soviet Union.

#### Visit a Personal Triumph

Bombay THE TIMES OF INDIA in English 18 Jun 85 p 8

[Editorial]

[Text]

The visit to the United States represents a great personal triumph for Mr. Rajiv Gandhi. Since Mr. Nehru's trip to the Soviet Union in 1956, no other foreign visit by an Indian Prime Minister has ever aroused such enthusiasm in the host country as this. This is a remarkable tribute to a young man who is so new to politics. The scene was, of course, well set for him. The Reagan administration had convinced itself that in Mr. Rajiv Gandhi India had at last a Prime Minister it could do business with. And so had Congress. The House of Representatives had, with the consent of the Senate, even adopted a resolution welcoming him to the country. The powerful American media had virtually fallen in love with him. But he could have thrown away his opportunity. He did not. Indeed, he used it to his fullest advantage. In the result, it would not be an exaggeration to say that he has made an impact on Americans few of us had anticipated. The ap-



plause he drew from Congress and pressmen during his appearances on Capitol Hill and at the National Press Club speaks for itself. This places Mr. Gandhi in the front rank of world leaders in his own right.

In the absence of evidence either way, it would be wrong to assume that the Kremlin entertained any misgivings about Mr. Gandhi on the eve of his trip to the United States. Perhaps the Soviet rulers had a better appreciation of the Indian Prime Minister than some of his own countrymen who either feared that he might tilt towards America or hoped that he would do so. In the event, he stuck faithfully to the country's established policies which accord a particularly high place to friendship with the Soviet Union. Mr. Gandhi did not pander to the Reagan administration's anti-Soviet prejudices in the slightest degree. He criticised (and rightly) its so-called Strategic Defence Initiative, popularly called "Star Wars"; he left the Americans in no doubt that he did not accept their rationale for military assistance to Pakistan; and, above all, on the central issue of the Soviet military presence in Afghanistan, he only reiterated the well-known Indian position, which is one of opposition to both external intervention (Soviet) and external pressure (U.S. and Pakistani) on that unfortunate country. In plain terms, Mr. Gandhi has been as good as his word. He has not sought U.S. friendship at the cost of well-tested Soviet friendship. And he has secured that friendship. This is a feat he can reasonably be proud of, and so can the rest of us.

There was an element of mystery in U.S. statements on the eve of the visit relating to the supply of American military equipment to India. This has not cleared up even after the visit is over. Since Americans have long, and to an extent rightly, convinced themselves that arms supplies constitute a key element in Indo-Soviet relations which they have always wished to weaken, it is understandable that they should have wanted to meet some of the country's needs in this regard. But spokesmen of great powers do not rush into print unless details have already been worked out, quietly. Americans did precisely that; they rushed to the press before they had worked out a deal with India. This was truly extraordinary, especially because they had good reasons to know that India would insist on certain conditions such as co-production rights, inviolability of an agreement once it has been signed, and assured supplies of spares whatever the change in relations between the two countries. Perhaps it was an expression of over-enthusiasm on their part. Perhaps they did not have a proper measure of the young Prime Minister still, in a manner of speaking, cutting his political teeth. But whatever their calculations, Mr. Rajiv Gandhi has demonstrated that he cannot be pushed, and he has done so without causing offence. It is not that he slammed the door in America's face. On the contrary, he discussed India's defence requirements with the U.S. defence secretary. But he also took care to reaffirm India's old conditions and to emphasise that defence deals would need to be preceded by confidence-building measures which would inevitably take time.

That, too, is not all. Mr. Rajiv Gandhi did more than refuse to be pushed into an arms deal on terms which might have been inferior to those offered by the Soviet Union, France and Britain. He put India's concerns in a proper perspective by placing it on record that it did not feel threatened by Pakistan on account of U.S. military supplies to it. This was his way of telling the Americans that India could look after its security with the help of weapons it was already assured of from its existing sources. U.S. military supplies to Pakistan worried India because these obliged it to divert resources from economic development, which it could ill afford to do. This stance accorded better with India's self-respect than the one Mrs. Indira Gandhi had adopted, and it placed a responsibility on the U.S. administration which it cannot forever avoid if it genuinely regards India as central to stability in south Asia and wishes it well.

It is not clear whether during his discussions with President Reagan and his aides, including the secretary of state, Mr. Shultz, Mr. Rajiv Gandhi took up the issue of Pakistani involvement with Sikh terrorists and extremists. But whether or not he did so, the Americans would know that their offer to co-operate with India in the fight against the "international dimension of terrorist violence" directed against this country would not amount to much in effect if they do not persuade their Pakistani allies to follow suit. From the available evidence, it would appear that the Reagan administration itself has taken time to decide to help India in this matter. The FBI's statements and arrests of those terrorists on the eve of Mr. Gandhi's visit were the first public indication that it had finally decided to swing behind India in this battle. But now that it has signed a joint statement to that effect, it is honour-bound to use all its influence in Islamabad to make it fall in line. If that happens, it will be a major gain from the visit.

It is hardly necessary to underscore the potential importance of the agreement on cooperation in research and technological developments in such diverse fields as agriculture, forestry, health, family welfare, bio-medicine, and industry. The United States is the leader in these fields and India is well placed not only to absorb high technology, but also to contribute to its adaptation for use in developing countries. As a rapidly growing market, India offers America (and other developed countries) enormous scope for both direct investment and collaboration deals. But this potential can become a reality only if the necessary climate of goodwill obtains between the two countries. That is precisely why during his visit Mr. Rajiv Gandhi was at pains to emphasise that he was in search of mutual understanding and not of specific deals. Such an understanding appears to have been reached between President Reagan and Mr. Rajiv Gandhi. But this will need to be preserved and strengthened. One major difficulty in Indo-U.S. relations has been the reluctance of governments in both countries to accept sincerely the fact that their strategic interests must diverge and then to fix the areas of common interests in the pursuit of which they can co-operate. This obstacle could not possibly have been tackled during the discussions in Washington. That would call for continuous and prolonged exchanges at a different level.

INDIA

PAPER REPORTS GANDHI 17 JUN SPEECH TO ILO

Calcutta THE STATESMAN in English 18 Jun 85 pp 1, 7

[Text] Geneva, June 17--Mr Rajiv Gandhi today called for the creation of a code of conduct for multinational corporations operating in developing countries, report UNI and PTI. "The agony of Bhopal, the scene of one of the worst industrial disasters, shows the terrible dangers to which workers in high technology industries are exposed," he told the 71st session of the International Labour Organization here.

More than 2,500 people were killed when methyl isocyanate gas leaked from the Union Carbide plant in Bhopal in December last year, Mr Gandhi said that while India welcomed technological cooperation with advanced countries, "we earnestly hope there will be more rigorous enforcement of safety standards."

The Prime Minister said that "the risks facing developing countries in the area of higher technology have increased manifold, but international procedures of surveillance of policies and practices of transnational corporations have yet to acquire form and content." He hoped there would be a more open sharing of technological information.

Referring to the vast number of workers in the unorganized sector in developing countries, Mr Gandhi called upon the ILO to suggest ways in which they could be made a major focus of its activities. He said organized workers constituted only 10% of the work force in India. Millions of Indians were spread over the countryside, working as landless or contract labourers on building sites, in quarries, road construction projects and service trades at low income levels.

Mr Gandhi told the delegates to the ILO session that growing protectionism threatened both developing and developed countries. The benefits of protectionism to help solve the domestic unemployment problems were bound to be shortlived, he asserted.

Mr Gandhi called for a renewal of commitment to the principle of the U.N. charger. The ILO, the oldest representative of international cooperation, was the most appropriate forum to reaffirm that faith on which the United Nations was founded, he observed.

Mr Gandhi also made an appeal to prevent the erosion of the United Nations system. "Today the very idea of joint international endeavours for peace and prosperity is under challenge. We are witnessing a retreat from multilateralism. Doubt, discord and dissension are gnawing at the system. There are pressures for conformity. There is reluctance to consider the wider effects of a policy that small groups of countries may wish to pursue to meet the world economic crisis. The theme of interdependence is publicly professed, but diluted in practice. The dialogue to create understanding is encountering serious resistance," he said.

Forty years after the end of World War II, the dark and lengthening shadow of a nuclear holocaust lay across the future of mankind. The crushing burden of armaments was growing. Scarce resources were being earmarked for the engines of destruction, while development faltered for want of funds. "Are there no exits?" Mr Gandhi asked.

Stating that "we should not overlook the danger signals," Mr Gandhi said some developed countries were trying to solve the problem of unemployment through reducing or shutting out imports from developing countries. Protectionism in the developed world was growing fast when developing countries were being enjoined to liberalize their trade regimes.

Addressing a largely attended Press conference shortly before leaving for home, Mr Gandhi said he favoured a multilateral solution of the issues relating to protectionism. Asked what was India's reaction to the proposal for having a new round of negotiations within the GATT framework, Mr Gandhi said India would be able to give thought to this issue only after the agenda of the new round was known. At present the precise agenda was not known even to the developed countries.

When asked what the content of the new agenda should be, the Prime Minister said this should include issues relating to the establishment of the new economic order and the rising trend of protectionism in the developed countries. Adequate attention should be paid to the fulfilment of the commitments made during the previous GATT meeting, he said.

Mr Gandhi asserted that there was no reassessment of India's foreign policy and it would adhere to its time-tested policies. "There is no need for a change."

He said India would not mediate on the Afghan issue and favoured a United Nations initiative to solve it. India would not take part in "proximity talks" between Afghanistan and Pakistan on June 20. Certain issues should be discussed between the two nations, he felt.

Replying to a question, Mr Gandhi said U.S. leaders had assured him they would see that Pakistan did not produce a nuclear weapon. In answer to another question, he reiterated India's stand that it would not sign the nuclear non-proliferation treaty as it was not fair to countries which did not have nuclear weapons.

Reiterating India's position on "star wars," the Prime Minister said it remained unchanged even after discussions with U.S. leaders. "We feel that taking arms into space will add new dimensions to the world problems."

On the ethnic problem in Sri Lanka, Mr Gandhi said the issue had to be settled by the Government and the Tamils in the island republic. India could only help President Jayewardene find a political solution to the problem, he said.

Asked to comment on the U.S. Secretary of Commerce, Mr Malcolm Baldrige's reported statement that if India wanted increased multinational investment it would have to make a compromise on the Union Carbide case currently being heard in American courts, Mr Gandhi said: "We do not succumb to any such pressures. We will fight the case as we think fit."

Asked about his fortnight-long tour of Egypt, France, Algeria and the USA, Mr Gandhi said he had very good exchanges with the leaders of these countries and found "commonality of thought on many issues." The trip had also helped in forging "much greater understanding, more than even we had expected to find," he said.

On disarmament, the Prime Minister said India's views were well known and hoped the talks in this regard between the two super powers would be expedited. He felt both Mr Reagan and the Soviet leader, Mr Mikhail Gorbachov, favoured complete disarmament. There were, however, differences on how to get to that point.

CSO: 4600/1713

INDIA

## RAJIV WARNED AGAINST PITFALLS OF PERSONALITY CULT

Madras THE HINDU in English 16 Jun 85 p 2

[Article by G.K. Reddy]

[Text]

**T**HE Prime Minister, Mr. Rajiv Gandhi, will be back in Delhi in a couple of days to the old grind of coping with the intractable domestic problems that continue to defy solution. The glow of his highly successful foreign visits will start fading into distant memory as public attention gets focussed again on perplexing issues like Punjab and Gujarat.

It is a debatable point whether the growing international prestige of a head of Government in an elective democracy enhances his ability in dealing with fractious internal challenges, or whether political stability on the home front enables one to make a better impact on the global scene. A popular leader has to contend with a multiplicity of baffling problems even at the best of times, since a developing society like India bristles with many tormenting dilemmas that foment unrest and inflame passions at the slightest provocation.

The very dynamics of induced change makes every placid community caught up in the coils of its traditionalism increasingly restive and resentful under pressure of rapid transformation. A stagnant society paralysed by its own fatalism becomes a breeding ground for discontent and disaffection, if the Government tries to step up the pace beyond the limits of its tolerance. The political dispensation should be resilient enough to enable the leader of an old-fashioned country like India to assess and harness the forces of change to canalise the people's energies in the desired direction with the least dislocation.

### Reassuring impression

The secret of success in governing a vast polity like India, burdened with a heavy backlog of problems, lies in capturing the mood of the people with a reassuring impression that the Government is making an honest effort to redress their grievances without making extravagant promises. It is not necessary for a leader to present a balance-sheet of his performance every now and then to convince the

people that, learning the hard way through trial and error, he is doing his best to live up to their expectations.

The people do not expect a leader to be gifted with a prodigious capacity for finding instant solutions even to the most despairing problems. The political institutions are designed to be run by persons of average talent, not supermen endowed with an unerring intuition to foresee a crisis and take action to forestall the threat in good time before they are overtaken by it. No President or Prime Minister in a dictatorship or democracy can conjure overnight the right solutions to irrational agitations that generate raw emotions, until those instigating the disorders have reconciled themselves to the thought of a reasonable compromise.

The young Prime Minister has been quite earnest in his desire to make an all-out effort to get problems like Punjab, Gujarat and Assam out of his way, so that he could concentrate more on the country's development. It is open to his critics to argue whether he was right or wrong in making a particular move at a particular moment without ascertaining the reactions of the groups or individuals concerned in advance. But his very readiness to negotiate with them without standing on false prestige or laying down unacceptable conditions has helped to project his sincerity of purpose in the best possible light, even if it has not achieved the desired results.

The Prime Minister's image builders in the party and the Government have been making the big mistake of attempting to cast him in a larger-than-life role. He needs to be projected as a young, earnest, modest and well-meaning leader who is keen on making a success of his role, not as a political prodigy or an infallible statesman with lofty ideas capable of resolving all problems. In an oriental society that thrives on sycophancy, a new leader like Mr. Rajiv Gandhi has to be extremely careful about the pitfalls of the personality cult, since foolish friends can be more dangerous than clever enemies in promoting it.

The very attempt to give the credit personally to the Prime Minister for any good thing done by the Government renders him liable to be blamed, by the same token, for everything that goes wrong even if he is not even remotely responsible for it. In the absence of proper decision-making procedures at different levels, he gets burdened with all the responsibilities that his Cabinet colleagues should be shouldering in their respective domains, referring only high policy matters to him. The result is a lot of avoidable ad hocism that comes in the way of a streamlined and systematic approach to higher direction of Government.

In a Cabinet system of government, the Prime Minister in theory holds all the portfolios and remains in overall charge of the entire government. The individual Ministers merely assist him in running their respective ministries and do not enjoy any extra powers in the discharge of their functions other than what are permitted by the Prime Minister at his discretion. The Prime Minister is not just the first among equals, like the Chief Justice of the Supreme Court for example, since he has the power to appoint and drop any of his colleagues.

The President merely issues the appointment orders, accepts the resignations or dismisses Ministers entirely on the Prime Minister's advice. He can dismiss a Prime Minister from office, but cannot compel him to resign in any circumstances. The only constraint on the unlimited powers of a Prime Minister is the need to maintain a proven majority in Parliament at all times. After the latest anti-defection legislation, the ruling party also cannot remove a Prime Minister from office except through a major split or internal split that can deprive him of the majority in the Lower House.

It is, therefore, necessary for the Prime Minister to divest himself of routine responsibilities by shedding additional charge of ministries without full-fledged Cabinet Ministers in charge of them, and also giving up the many scientific departments directly under him, so that he could concentrate on the overall supervision of the functioning of the entire government. It is not also desirable to attempt to run the vast web of government with the help of a few personal advisers, often acting over the heads of Ministers, who are not accountable to Parliament for their advice.

The Cabinet form of government in India provides for only one Prime Minister with no provision even for a Deputy Prime Minister. Unless the Prime Minister chooses to confer this designation purely as a personal gesture to honour one of his senior colleagues. The Constitution merely says that "there shall be a council of Ministers with the Prime Minister at the head to aid and advise the President."

But the institution of one Prime Minister cannot be transformed into a one-person democracy for running the Government with all the powers concentrated in one individual in what

ever form which goes against the spirit of the Constitution. A smooth functioning of the Cabinet system with its own internal checks and balances is most essential for establishing healthy conventions. Any decision of the Prime Minister has in theory the same sanction as a Cabinet resolution, but in practice a good many policy matters decided upon in relevant Cabinet sub-Committees presided over by the Prime Minister are referred to the full Cabinet for approval under the conduct of business rules of the Government.

It was open to the Prime Minister, for example to advise the President to declare an internal or external emergency even without the prior approval of the full Cabinet. After the 44th Amendment, the President is now forbidden from issuing such a proclamation except on the written recommendation of the whole Cabinet not just the Prime Minister's advice. Similarly the right procedure for imposing President's rule in a State is for the Governor to recommend after satisfying himself that the Government of the State cannot be run in accordance with the provisions of the Constitution. The advice has to be formally accepted by the Union Cabinet, before the President can act on it, which means that the Prime Minister cannot by himself take this decision without observing the formality of the prescribed procedure, although in practice the decision is taken at his instance.

As Prime Minister, Mr. Rajiv Gandhi has been scrupulously observing the constitutional procedures. He has undone some of the harm done in the past by refraining from riding roughshod over non-Congress (I) State Governments. But the Cabinet system at the Centre needs to be strengthened by entrusting important portfolios to more experienced colleagues who can help to enhance the prestige of the Government. The present uneven division of responsibilities with the Prime Minister himself holding charge of many Ministries and departments and other Ministers burdened with additional portfolios, has led to many avoidable delays and distortions in the functioning of the Government.

One of the first decisions Mr. Rajiv Gandhi has to take on his return to Delhi relates to the long overdue Cabinet expansion which will lead inevitably to a reallocation of portfolios of some of the existing Ministers on the basis of the Prime Minister's own assessment of their performance. A disquieting feature of the present functioning of the Government is that, though he has made no big mistakes in the last six months after he became Prime Minister with a massive mandate, he has not been talking lately about his determination to eradicate corruption and give the country a clean and responsive administration.

### **Inflationary pressures**

Nor has he been doing much on the price front to curb profiteering after the recent budget. It is one thing to liberalise the economy and encourage industrial growth with foreign participation, but another thing to let the rapacious big business have a free run under the guise of modernisation. Apart from the threat of further violence, the country is also faced with the perils of inflationary pressures that could lead to widespread unrest.

The one thing that strikes any foreign visitor who is familiar with the Indian scene is the vulgar lifestyle of its new rich who have lately acquired political roots by hobnobbing with those in power who are able to dispense patronage. There are too many well-heeled wheel-dealers operating in and around the corridors of power attempting to influence decisions. The country cannot prepare to enter the next century with the help of those bent on making quick profits through manipulation and misuse of influence.

The technological vision of the young Prime Minister calls for a new breed of more conscientious men to propel the country forward into the new era with its own values and achievements, not just borrowed ideas and false expectations. And his well-wishers in the country are pondering over these pitfalls that could lead to an irrevocable loss of direction.

CSO: 4600/1710



INDIA

ANALYST DISCUSSES 'LONG OVERDUE' CABINET EXPANSION

Madras THE HINDU in English 15 Jun 85 p 9

[Article by G.K. Reddi]

[Text]

NEW DELHI, June 14.

After a two-week long lull, the elephantine bureaucracy at the Centre is springing into activity on the eve of the Prime Minister's return from his foreign visits on Tuesday.

The introduction of the five-day week, which coincided with Mr. Rajiv Gandhi's departure, created a sort of holiday atmosphere here with almost anyone, big or small, who can manage to combine the two week ends with a few days' casual leave, getting away to the hills to escape Delhi's summer.

The labyrinthine machinery of government had virtually ground to a halt in many ministries and departments with most ministers and senior officials away from the capital, keeping many important decisions in abeyance. The few important functionaries who have stayed behind have been either preoccupied with the Punjab and Gujarat situations or busy preparing daily situation reports on the state of the nation for transmission to the Prime Minister for keeping him informed of developments at home.

One of the very first things the Prime Minister is expected to do on his return is to give thought to the long overdue Cabinet expansion. There are as many as four ministries—External Affairs, Commerce, Industry and Tourism and Civil Aviation—without full-time Cabinet Ministers. In some of the bigger ministries, there are not enough Ministers of State to share the workload of the Cabinet Ministers concerned.

**Close watch:** Any Cabinet expansion will inevitably involve a reshuffle of portfolios for entrusting more promising ministers with greater responsibilities, while relegating those who have not come up to the Prime Minister's expectations to secondary positions. As he himself indicated at the time of the formation of the present Ministry after the parliamentary elections, Mr. Rajiv Gandhi has been keeping a close eye on the performance of his colleagues, especially the new entrants to assess their abilities and aptitudes.

The present Cabinet cannot settle down to the tasks of governance until the Prime Minister has completed its expansion and provided some sort of reassurance to both his senior and junior colleagues that they will be left undisturbed for quite some time. It is for this reason that the impending Cabinet expansion has assumed special importance.

There were many meetings of the Cabinet sub-committees concerned before the Prime Minister's departure to work out a series of administrative decisions for further liberalisation on the economic front, besides imposition of some price controls to check the inflationary trends that had set in after the budget. The necessary announcements have to be made before long to sustain the tempo of expectation—that he is determined to usher in a new era of economic growth, price stability and increased employment.

**Pending issues:** There are many pending defence deals which have to be finalised soon to avoid further delays and consequent price escalations. This cannot be done until the necessary policy decisions have been taken at the highest level, whether or not to diversify the defence purchases to the extent of establishing a limited arms supply relationship with the U.S. for political reasons.

In the industrial sphere, too, decisions on allocation of contracts and purchase of equipment for new projects have been kept pending. The Ministers concerned are unable to make up their minds in the absence of any prescribed criteria for assessing the financial and technological merits of the offers received from different countries for participation in the country's industrial development.

Apart from entrusting the right men with the right tasks, the Prime Minister has to streamline the procedures of the Government to avoid delays and to get things done, with a sense of shared commitment by the Ministers and senior officials concerned, leaving him free to deal with only high policy decisions.

CSO: 4600/1711

INDIA

FINANCE MINISTER SPEAKS TO AID-INDIA CONSORTIUM

Bombay THE TIMES OF INDIA in English 19 Jun 85 p 1

[Article by K.N. Malik]

[Text]

PARIS, June 18.

**I**NDIA today made a strong plea before the Aid-India Consortium for continued concessional aid to enable it to achieve viability in balance of payments and a high growth rate of exports as well as maintain debt service ratio within reasonable limits.

Addressing the donor-governments, multilateral financial and other aid agencies, India's finance secretary, Mr. S. Venkitaraman, stressed that the bulk of investment in the country was absorbed by infrastructure and that the net transfer of resources required longer periods.

Mr. Venkitaraman said while it was true that foreign aid constituted only seven per cent of the total investment required, it was still of crucial importance.

He emphasised the need for continued soft aid, as otherwise India would also face debt servicing problems like other developing countries. He said India's share of aid from the World Bank's soft loan affiliate, the International Development Agency, had been reduced from 40 per cent to about 28 per cent. It would come down further because of the reduced size of the IDA—seven from \$12 billion to \$ nine billion and inclusion of China among IDA beneficiaries.

At one time, of the total World Bank aid to it, India got 75 per cent

as soft loan and 25 per cent as bank credits. The ratio has now been reversed. He, therefore, stressed the importance of complementarity between concessional and commercial loans.

Mr. Venkitaraman referred to the recent debate over the need for concessional assistance for poor countries such as India where sound economic management had established creditworthiness for commercial loans. He reminded donors that creditworthiness was an exhaustible resource, which could be depleted through imprudent levels of commercial borrowings. Given the short maturities and high interest rates associated with commercial borrowing, such finance was not appropriate for developmental projects.

He said while India had increased commercial borrowing significantly, it proposed to do it only at levels considered prudent and appropriate. He cautioned that any hardening of terms of external inflows could have adverse consequences and upset India's efforts to modernise the economy.

Mr. Venkitaraman dwelt at length on India's achievements in agriculture, energy and industry. The country achieved a growth rate of about five per cent in spite of world recession and two serious droughts. The increase in oil production had reduced reliance on imports. The increase in coal output and power generation as well as high agricul-

tural production coupled with prudent distribution and application of science and technology to various fields have enabled the country to launch an ambitious seventh five-year plan. The new industrial policies would surely yield rich dividends. The government was aiming at an industrial growth rate of about seven to eight per cent as compared to the present four per cent.

He emphasised the importance of new industrial and licensing policies for development. Several incentives had been provided for assisting growth. Control of inflation and expanding job opportunities were underscored by the economic policies. India had also taken steps to control the population growth rate.

The two-day consortium meeting today discussed India's efforts towards rationalisation of economic policies and its foreign assistance requirements during the seventh plan. Indications are that though the IDA assistance would be curtailed, the consortium would be able to maintain aid at the current level of \$ four billion. Of this, \$2.5 billion is expected to be provided by the World Bank and the rest would be bilateral aid.

The World Bank in its report has hailed India's liberalisation efforts and prudent management of economy and stressed continued foreign assistance at concessional rate. It appreciated India's achievements in agriculture and energy fields and emphasised the need for further improving the balance of payments position.

INDIA

CPI ISSUES STATEMENT ON NORTHEAST BORDER DISPUTE

New Delhi PATRIOT in English 20 Jun 85 p 1

[Text]

Expressing concern over the serious border clashes between the Assam and Nagaland police forces, the CPI has said that unless checked immediately, such clashes would encourage the disruptive and terrorist forces in the sensitive North East region.

In a statement issued on Wednesday at the end of the three-day meeting of the CPI central executive committee, the party has asked for a speedy resolution of the border problem so that further clashes could be avoided. It has urged the Centre to intervene and settle the dispute on the basis of the 1962 State of Nagaland Act.

The CPI also held the Government responsible for neglecting the long-standing dispute between the two States "despite the fact that both the State Governments are headed by the Congress". The State Chief Ministers too must take their share of blame and the Centre should take prompt action against them.

Apart from this, the CPI apex body adopted four other resolutions: on the situation in Jammu and Kashmir, on the murder of CPI activists in Ghosi, on the Banjhi firing, and on the Bangladesh cyclone disaster.

The CPI has demanded the immediate restoration of democracy in Jammu and Kashmir and the removal of the "defector's ministry led by G M Shah". It has pointed out that the Lok Sabha poll in the Valley in which National Conference-F bagged all three seats clearly

showed that the G M Shah government did not enjoy popular support.

The party has charged the Congress of obdurately supporting the Shah ministry which, in turn, was falling back on communal organisations like the Jamaat-i-Islami and Jamait-ul-Tulaba for support. The latter organisations have been accused by the CPI of launching fascist-style attacks against the Communists in the State.

The CPI has also pledged support to the united movement for restoration of democracy launched by the opposition parties, excluding the BJP. The removal of the Shah ministry will strengthen the emotional integration of the people of Jammu and Kashmir with the country, the party has observed.

Reacting strongly to the murder of five party activists in Ghosi in Bihar, the CPI has demanded an immediate enquiry into the incident by an all-party committee of the Bihar Legislature. It has accused Congress MP Mahendra Prasad, of planning these murders. The party has also demanded an enquiry into the Banjhi firing by the police which resulted in the death of 15 people.

The CPI has expressed its sorrow over the devastating cyclone in Bangladesh and has suggested that suitable UN agencies be set up to take appropriate measures to warn people in time and evacuate those who are likely to be affected by such natural calamities.

CSO: 4600/1716

INDIA

## AID-INDIA CONSORTIUM INCREASES ASSISTANCE BY 5 PERCENT

New Delhi 'PATRIOT in English 20 Jun 85 p 1

[Text]

**Paris, June 19 (PTI)**

India will get four billion dollars in economic assistance from the 14-member Aid-India Consortium led by the World Bank, during the financial year 1985-86, which represents an increase of more than five per cent in real terms over last year's pledge.

At the conclusion of a two-day meeting of the consortium here today, Finance Secretary S Venkitaramanan announced that in terms of special drawing rights (SDRs) India would get \$ 3.9 billion as against \$ 3.7 billion last year.

This represents an increase of 5.5 per cent in real terms although the four billion dollar overall pledge was the same as last year, he said, expressing satisfaction at the outcome.

More than half of the assistance will be on concessional terms consisting of contributions from member countries and funds from the International Development Association (IDA), the bank's soft-lending window.

The bank itself will contribute \$ 2.4 billion of which \$ 650 million to \$ 700 million are expected to come from the IDA.

The commitments by 13 member-countries of the consortium are on soft terms. Therefore, about 2.3 billion dollars out of the four billion dollars pledged,

will be on concessional terms.

The World Bank said in a statement after the meeting that the consortium had noted that concessional assistance had provided considerable support to India in attaining its development objectives. It endorsed India's strong case for continued significant concessional assistance during the Seventh Plan period.

The statement said that the meeting paid tribute to the quality of India's economic performance and management which has been noteworthy, not only in terms of the acceleration of economic growth which had occurred, but equally important in terms of the policy changes which have been initiated for imparting dynamism to the industrial structure.

The Indian delegation led by the Finance Secretary included Dr Bimal Jalan, Chief Economic Advisor to the Government and senior officials of the Finance Ministry.

Although India had increased its reliance on commercial loans, it would continue to borrow only at levels which would be consistent with prudent debt management.

India's balance of payments position remained stable despite a modest 4.3 per

cent volume growth in exports. In particular, the meeting noted India's success in containing inflationary pressures and assuring prudent management of the balance of payments, it said.

The meeting noted that India was combining efforts to balance the resources for economic growth with those for alleviating poverty, the statement said. It said that the Indian delegation had indicated that the seventh Plan, now in its final stages of preparation, is expected to aim at an average annual GDP growth of five per cent.

The Plan would continue with the structural adjustment efforts of the sixth Plan and in particular, the need for higher productivity of capital investment, ex-

panded production of food and create employment opportunities.

The statement took note of the emphasis laid by Mr Venkitaramanan that while the finances for investment in the seventh Plan would depend primarily on domestic savings, external assistance on highly concessional terms would also be important.

The meeting, held under the chairmanship of the World Bank, was attended by representatives of the United States, Britain, France, West Germany, Austria, Belgium, Canada, Denmark, Italy, Japan, the Netherlands, Norway and Sweden.

CSO: 4600/1715

INDIA

BRITISH GRANT TO AID LOCAL COSTS SIGNED IN DELHI

New Delhi PATRIOT in English 20 Jun 85 p 2

[Text]

An agreement of a British grant of over Rs 57 crore to meet the local costs of major development projects and programmes in various sectors of the Indian economy was signed in Delhi on Wednesday, reports PTI.

The projects include a family welfare project in five districts of Orissa, an integrated family welfare project in Kaira district of Gujarat, a primary education project in Andhra Pradesh, an agricultural extension project designed to promote the use of fertilisers by small farmers in six states, a marine fisheries projection Orissa, the HUDCO housing schemes for low income groups in India and a slum improvement project in Hyderabad.

The agreement was signed by the Counsellor (Economic and commercial) in British High Commission, Mr F N Richards and the Joint

Secretary in the Department of Economic Affairs of the Ministry of Finance, Mr Lalit Mansingh on behalf of their respective governments.

Local costs aid forms a major portion of the British bilateral aid programme for India and within this general category the emphasis on poverty-focussed aid has been steadily increasing. Local cost aid in 1984-85 was some £ 45 million sterling (approximately Rs 72 crore).

All British aid to India continues to be in the form of outright grants with no repayments or interest charges. In 1984-85 the target figure of British aid disbursements was fully achieved—110.7 million sterling (about Rs 177 crore).

The target for 1985-86 has been set at £ 115 million sterling, according to a BIS release.

CSO: 4600/1715

## BRIEFS

PRC VISIT QUESTIONED--New Delhi, June 18--Although an official statement issued in Beijing today indicated an early visit by the Prime Minister, Mr Rajiv Gandhi, to China, inquiries revealed that there had been no recent communication between the two governments on the proposed visit. Official sources disclaimed any knowledge about an early visit by Mr Gandhi to Beijing. It is believed that the Chinese statement on Mr Gandhi's visit is obviously a repetition of an earlier statement made in November. Mr Gandhi accepted an invitation extended to him by the Chinese vice-premier, Mr Yao Yilin, who came to Delhi in November to attend the funeral of Mrs Indira Gandhi. A Chinese foreign office spokesman was then quoted as saying that Mr Gandhi accepted the invitation and expressed his willingness for an early visit. [Text] [Bombay THE TIMES OF INDIA in English 19 Jun 85 p 7]

NEW EDUCATION SYSTEM--Pune, June 1--The Prime Minister, Mr Rajiv Gandhi, today asked educationists to evolve the education system in such a way that the students developed a sense of responsibility towards those who remained backward either due to regionalism or casteism. He said the new education system would soon be formulated and implemented from next year after a national debate. Speaking at the valedictory function of the centenary celebrations of the Fergusson College here, Mr Gandhi said the primary goal of education should be to develop us into better human beings. Society must develop the sense of social responsibility among the boys and girls. Mr Gandhi said that while striving for new and high technologies, "we must not forget the millions who live below the poverty line and form a major block of India's population." Mr Gandhi said the nation faced the challenge of high technology and "we must sow the seeds now for the country to catch up with the rest of the world in the next 10 to 15 years." The principal of the college, Mr P.L. Gadgil, welcoming the Prime Minister, said that the government should not ignore social sciences as it was useful in solving the problems of society. [Text] [Bombay THE TIMES OF INDIA in English 2 Jun 85 p 9]

PAKISTAN SPY NETWORK--Srinagar, June 9--The Jammu and Kashmir police today claimed to have foiled an attempt by some anti-national elements to create fresh trouble in the Jammu region, reports PTI. According to a police spokesman, the Counter-Intelligence Branch and special teams of the State police conducted surprise raids and rounded up seven alleged smugglers of

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arms and ammunition, who were also described as active members of the Pak espionage network, from different parts of Jammu region. Two revolvers with foreign markings were seized. Three of those held are Sikhs. According to UNI, the police raids yielded four revolvers, Pakistani currency worth Rs 6,000 and incriminating documents. [Text] [Calcutta THE STATESMAN in English 10 Jun 85 p 9]

ENVOY TO SRI LANKA--Colombo, May 29--India's new High Commissioner to Sri Lanka, Mr J.N. Dixit, on Monday presented his credentials to President J.R. Jayewardene, reports UNI. The promptness with which the Sri Lanka Government arranged for the presentation of his credentials in less than 24 hours after his arrival in the island is an indication that high-level discussions were on cards between the two countries shortly, authoritative sources said. The Government had also arranged a meeting for Mr Dixit with the Foreign Minister, Mr A.C.S. Hameed, shortly after his arrival in the city last evening, they pointed out. [Text] [Calcutta THE STATESMAN in English 31 May 85 p 5]

VISITORS TO PRC--China has made a remarkable progress both on the agricultural and industrial fronts. This impression was gathered by the 10-member CPI (M) delegation which returned to New Delhi after visiting that country for 14 days from May 10. The team, led by Mr V.S. Achyutanandan, secretary of the Kerala CPI (M) State committee, included three delegates from West Bengal--Mr Biman Bose, Mr Das Gupta, all members of the CPI (M) West Bengal State Secretariat. They returned to Calcutta on Sunday. Mr Biswas said in Calcutta on Monday that the team had visited a number of farms and factories in China. The workers' dedication to their work was total. He said that the team which had gone there at the invitation of the Communist Party of China was given an account of the recent developments in economic and cultural fields in China. The team visited Beijing, Nanjing, Hangchaow and Guangongoz and was given a reception at the Great Hall of Peoples. [Text] [Calcutta THE STATESMAN in English 28 May 85 p 3]

SOVIET POWER EQUIPMENT--New Delhi, June 18--India and the USSR today signed a protocol on cooperation in the construction of power projects in India. The protocol was signed here in pursuance of an agreement during the Prime Minister, Mr Rajiv Gandhi's recent official visit to the USSR. Under the protocol the USSR will provide India technical documentation and supply equipment to the 840-MW capacity Kahalgaon thermal power plant in Bihar. After the meetings between a USSR delegation led by Mr A.S. Postovalov, Chairman of V/O Techno-Promexport, and Mr M.M. Kohli, Secretary of Department of Power, Ministry of Irrigation and Power, and other officials it was decided that the overall repair services to the Soviet aided power projects will be carried out with Soviet assistance. Some of the spare parts required for these projects will be produced by the Indian industry. Besides the services being carried out, the USSR will also assist India in the replacement of all equipment with sophisticated ones. It was agreed that the first power unit of the Vinchyachal power station in M.P. will be commissioned in June 1987. The Soviet delegation inspected this station site.--PTI [Text] [Madras THE HINDU in English 19 Jun 85 p 6]



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ORISSA MINISTERS--Bhubaneswar, May 30--The Orissa chief minister, Mr J.B. Patnaik, today expanded his two-and-a-half-month-old 15-member ministry by inducting two ministers. He also reshuffled major portfolios. Mr Jadunath Das Mohapatra was made a Cabinet minister, while Mr Sarar Route, president of the state Youth Congress (I) was appointed a minister of state. They were administered the oath of office and secrecy by the governor, Mr B.N. Pande, at a function at Raj Bhavan. Mr Das Mohapatra, a former minister for education and youth services, was allotted the same portfolio. Mr Rout was given the portfolios of planning and coordination and information and public relations. Both the departments are under the chief minister. The portfolios of three Cabinet ministers and four ministers of state were reshuffled. Mr Patnaik relinquished five of the departments he has held since the formation of his ministry on March 12. They are finance, revenue, works, housing and urban development. Mr Gangadhar Mohapatra was given finance in addition to his law portfolio. The department of tourism held by him was taken over by the chief minister. Mr Jugal Kishore Patnaik, minister for education and youth services, was shifted to revenue. Mr Anup Singh Deo, a Cabinet minister, was allotted labour and employment. [Text] [Calcutta THE TELEGRAPH in English 31 May 85 p 1]

CONTRACT WITH LIBYA--India has bagged a Rs four million contract from Libya for repairing and overhauling of boilers, reports UNI. The contract was given to the Bharat Heavy Electricals Limited (BHEL) to repair and overhaul two 30 MW boilers of Benghazi Thermal Power Station and a 90 tonnes per hour boiler of a desalination plant at Zaura. The BHEL had executed a number of projects in Libya, including Rs 1000 million turnkey power plant set up in West Tripoli. [Text] [Calcutta THE TELEGRAPH in English 30 May 85 p 2]

ORE TO CZECHOSLOVAKIA--New Delhi, June 4--Czechoslovakia has agreed to enter into a long-term arrangement with India for purchase of iron ore from Kudremukh. This was the outcome of the talks which the visiting Czechoslovakia Foreign Trade Minister, Mr I.B. Urban, had here today with the Union Commerce Minister, Mr V.P. Singh. India has been exporting Kudremukh ore to Czechoslovakia but now this will be on a long-term basis. The Czech interest for long-term arrangement was also conveyed when Mr Urban met the Union Minister of State and Mines, Mr Vasant Sathe. Mr Urban offered to supply rolling mills for the Visakhapatnam Steel Mills and in assisting India in mining projects. The prospects of the two countries collaborating in chemical and engineering industries were explored when Mr Urban met the Union Industry Minister, Mr Veerendra Patil. It was agreed that a team of Czech experts would visit India shortly to identify specific areas of collaboration. Mr Patil urged Czechoslovakia to buy engineering goods from India. For instance, the Czechs could buy small cars like Maruti. Mr Urban promised to consider these proposals and offered technical collaboration to manufacture pipes and laying of pipes.. [Text] [Madras THE HINDU in English 5 Jun 85 p 9]

BORDER DANGERS NOTED--Srinagar, June 4--Thirty-five Indian Army personnel and about 25 Pakistani troops were killed and over a hundred on both sides injured, till late on Sunday evening when the security forces were engaged in repulsing repeated Pakistani attacks to capture the Siachen glacier area in high attitude Ladakh during 1984-85. Top Indian army officials said only seven army personnel were killed by Pakistan shelling and the rest by avalanches while in action. The trouble over the Siachen glacier started ever since 1978 when the geographical map prepared by the Americans identified the area as part of Pakistan. The first time when Pakistan army authorities objected to the Indian army patrolling the area was in 1982 and next year a clash took place between the two armed forces in the area. On May 29 the Pakistani armed personnel launched a heavy attack under cover of their Air force bombers but it was again repulsed by the Indian army personnel. The Pakistan planes did not drop bombs as they found an Indian Air Force plane in the area. UNI reports: India's northern borders are threatened with the piling up of sophisticated weapons by both China and Pakistan across the Line of Actual Control. China has built nearly a dozen of roads across Akasaichin, leading to Indian borders, according to the General Officer Commanding in Chief, Northern Command, Lt Gen Chibber. Pakistan had been inducting sophisticated helicopters in its army. It had recently acquired a new radar system with which it could spy 60 km into Indian territory, he said. [Text] [Madras THE HINDU in English 5 Jun 85 p 6]

COOPERATION WITH NETHERLANDS--New Delhi, June 10--Collaboration between India and the Netherlands is to be diversified and enlarged to cover a range of projects in the field of agriculture and allied sectors, like animal husbandry, horticulture, floriculture and food processing. This was the outcome of a meeting between the Netherlands Minister for Agriculture, Mr G.J.M. Braks and the Union Food Minister, Rao Birendra Singh, here today. Mr Braks who led a six-member delegation is here on his way back home from the Philippines after attending the silver jubilee of International Rice Research Institute, Manila. Mr Braks later told newsmen that the areas identified for collaboration included development of vegetable and flower cultivation for exports. He noted that the Netherlands exported flowers worth \$1 billion (Rs. 1,200 crores) every year and could assist India to grow flowers for exports. Mr Braks who visited the National Dairy Research Institute at Karnal and had discussions with Dr V. Kurien, chairman of the National Dairy Development Corporation, commended the "Operation Flood" programme. [Text] [Madras THE HINDU in English 11 Jun 85 p 9]

CSO: 4600/1708

IRAN

PRIME MINISTER CRITICIZES U.S., LIBERALS' 'IMPOSED PEACE'

Tehran ETTELA'AT in Persian 12 Jun 85 pp 3-4

[Text] On the eve of the 21st of Ramadan [11 Jun 1985] the ever-present Muslim nation of our country spent an all-night vigil at the mosques and religious theaters honoring the martyrdom of the Commander of the Faithful Ali (Peace Be Upon Him) and praying for final victory for the combatants of Islam and a long life for the Imam of the nation.

At ceremonies held for this occasion at the Tehran Mehdiyeh, Engineer Musavi, our country's Prime Minister, stressed: We declare that we are prepared to continue this war for 20 years if need be to remain independent. The prime minister discussed the extensive efforts being made to impose peace on our country. He said: America's reasons for trying to get us to compromise are clear: The Islamic revolution has dealt the greatest blow to America. We expelled almost 50,000 American consultants, we took oil wells away from the Americans, we took a source of copper away from America, we took hundreds of factories away from them in which Americans had invested, we deprived them of complex spy bases at five points in the country, we broke the CENTO ring at its most sensitive point, and we demolished the greatest Americanized government in the world.

They are scarred by the spy nest, they are scarred by their defeat at Lebanon, and they have an extensive readiness to sense an Islamic revolution anywhere in the world. Therefore, if they can get us to compromise, they will have removed their greatest enemy from the scene.

By drawing us into a compromise, they will open the way for activity and growth of the Americanized liberal line, and the line of the moderate groups affiliated with America.

It is not without reason that we see proclamations and statements against the war from the liberals in the country, which are really invitations for Saddam.

Engineer Musavi added: These liberals definitely bear responsibility for the blood of innocent people which has been shed in these bombings in the country. In reality, with these announcements they are inviting Saddam's Russian bombers to come.

The prime minister discussed the consequences of an imposed peace. He said: If we are drawn into a compromise, Iraq will be strengthened by the superpowers and the reactionary countries of the area. As a result they will expect the Islamic republic to be forced in turn to compromise with the East to obtain complex weaponry, and it is natural for them to pursue this type of peace.

Engineer Musavi addressed himself to those who speak of peace in our country. He said: The peace they want is an imposed peace which threatens our revolution and our independence. We declare that we are prepared to continue this war for 20 years if need be to remain independent.

In another portion of his remarks, the prime minister discussed the various plots the enemies of the Islamic revolution have pursued since the beginning of the revolution to overthrow the government of the Islamic republic and strike the Islamic revolution. He said: Today we are faced with a special and new confrontation. This new plot, which is being carried out with the complicity of the superpowers and the cooperation of Saddam, is to put so much pressure on us that we will be persuaded to compromise. Today the propaganda and psychological war against us, which has always existed since the beginning of the revolution, has become very extensive quantitatively, and cannot be compared with the first days of the war or the plots of the hypocrites.

For example, even today AGENCE FRANCE-PRESSE devoted several pages to news of Iran discussing the flight of the people of Tehran from the city, the food situation, and, as they put it, the way in which the people have come to oppose the war and the government. UNITED PRESS INTERNATIONAL has analyses of the same kind on this subject. Likewise, the REUTERS agency and the British press have suddenly become sensitive to the human rights situation in Iran. British parliamentary deputies, at the peak of the psychological war against our revolution, write letters expressing anxiety over the non-observance of human rights. It is not at all clear when these man-eating wolves became defenders of human rights. The interesting thing here is that every day the East gives the analysis that the war is in America's interest. The whole objective of this propaganda and psychological war is to undermine the nation's strong will to continue the war to final victory and draw it to a compromise.

The prime minister stressed: The fate of the Islamic revolution is tied today to the fate of the world's Muslims and oppressed, and every change and development in this revolution has an effect on the people's movements of the world.

Today the Islamic revolution has aroused all the powers of the world against itself, and we will only be able to stand against them with an aware movement.

Engineer Musavi noted that the Iranian nation is a nation of partisans of 'Ali (Peace be Upon Him). He said: Today, because of the discernment it has from its lord, there are standards in the hands of the nation which it uses to evaluate everything. It is in light of the luminous face of 'Ali and his entirely instructive life that the people evaluate platforms, groups, and regimes. These same positions form our nation's total position against world imperialism. It is because of the discernment that our nation has obtained from 'Ali that it has stood so firmly behind the leader of the revolution in opposition to plots and schemes.

According to this report, in another portion of his talk the prime minister discussed the fact that public personalities have roles in the lives of the people as models and standards. He said: One of the best ways to understand a society is to see who the people of that society follow and who that society's sacred personalities are. Clearly, there is a difference between the criteria modeled after humane figures in a society and a society which models itself after unethical personalities.

Under sensitive circumstances, these same personalities are what show the way to the people. In our society, in times of confrontation and revolution Imam Hoseyn (Peace Be Upon Him) shows the way. At the fronts of the war of light against darkness, and throughout the revolution, the greatest role in the formation of the positions of our nation and its children is played by love for

'Ali (Peace Be Upon Him), the other imams, and the great revolution of Karbala, while this characteristic does not exist in other countries. In deviated Christianity, the thinking expressed in Christ's command to turn the other cheek allows people to become the slaves and prisoners of capitalists.

He added: World imperialism and its agents have prevented Islamic figures from becoming known and recognized, and they have instead made public figures of bullies, oppressors, and unethical personalities. One of the great tasks now being carried out by the Islamic revolution is introducing the personalities from the dawn of Islam. Today our country is telling the Muslim world about Islamic personalities and the companions of the Prophet. As it happens, opposition to this is not without reason, because with the illumination of the face of 'Ali (Peace Be Upon Him) there will no longer be a possibility of tricking them. If the Battle of Badr, the Battle of Ohod, and the life of the Prophet (Peace Be Upon Him) were made known as they are, they would no longer be able to stand in the way of the Muslims in order to exonerate polytheists during the rituals of the pilgrimage to Mecca. The previous regime tried for 50 years to replace Islam with a culture of idolatry, but it could not prevent the people from turning to divine traits and their passionate love for the Commander of the Faithful and Imam Hoseyn (Peace Be Upon Them). In the tempestuous events of 1357 [21 March 1978 – 20 March 1979] it was Imam Hoseyn's revolt that gave the people the courage to continue the struggle.

At the fronts, our combatants attack the enemy at night in the same way. They pass over the mine fields and attack the enemy in the heart of night, no matter who is commanding them. We have heard from all the combatants that at such sensitive times it is the splendid presence of the imams in their minds and in the field that gives courage.

This matter has a more extensive effect on society. When we say we are partisans of 'Ali (Peace Be Upon Him), we must seek all the anti-imperialist tendencies of our people in the effects of this love for 'Ali (Peace Be Upon Him). Our society of today is affected by those teachings given to the entire Muslim nation by the Commander of the Faithful in all periods of history.

We have learned from him to respond to the cries of the oppressed, and to stand up to oppressors and imperialists.

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CSO: 4640/611

IRAN

MUSAVI COMMENTS ON WAR, U.S. THREATS, LEBANON

Tehran JOMHURI-YE ESLAMI in Persian 9 Jun 85 p 14

[Interview with Prime Minister Engineer Mir Hoseyn Musavi by JOMHURI-YE ESLAMI; date and place not specified]

[Text] Engineer Mir Hoseyn Musavi, the prime minister of the Islamic Republic of Iran, expressed his views in an exclusive interview with JOMHURI-YE ESLAMI concerning retaliation, new initiatives to counter the air raids of the Ba'thist enemy, marches on Qods day, support for the continuation of the imposed war to ultimate victory, the presidential elections, changes in the position of the international organizations with regard to the imposed war, the failure and excuses of the United States in Lebanon, the denial of the Islamic Republic of Iran of being a member of the Islamic Holy War organization, the political turn of France and the Soviet Union, the recent conflicts between the Amal and the Palestinian forces and the plan to disarm them, the exclusion and absorption of the Hezbollah forces, the accounting law, the problems of government, and the rumors of the candidacy of the prime minister in the presidential elections.

The details of this interview follow.

Retaliation

Question: Islamic Iran has announced that it will retaliate against Iraqi attacks on residential areas. The first meaning of this statement is that we will respond to every blow with a more decisive one. Is this what the officials meant? And, in practice, will the regime of Baghdad regret its actions after these responses?

Prime minister:

We have always declared that we cannot be indifferent to any kind of attack against us in any area. In regards to the attacks on cities, too, this is the case. But, because of our beliefs, we will respond to the attacks on cities when it is really necessary, and we will only do so to the extent that it is necessary.

Of course, this does not mean that we will not take decisive action, because the missiles launched on Baghdad have had destructive effects.

According to direct reports from Baghdad, the damage caused by our missiles in the capital of Iraq has been very extensive. But, we have never been happy with the destruction of cities and the killing of innocent people. On the whole, the position of the Islamic Republic of Iran has been that we pay attention in practice to our ideological principles vis-a-vis the attacks of the enemy. Hence, we have proven that when necessary, when the security of the Islamic revolution is at stake, we are able to inflict our strong blows on the decadent regime of Iraq.

Here, since the issue of the missiles has come up, we must point out that the strong censorship apparatus of the Baghdad regime attempts to prevent the extent of our missile attacks on Baghdad from being reported, and the world mass media also work in coordination with the regime of Iraq. But such actions cannot prevent our precise evaluation of the very strong effects of the launching of these missiles inside Iraqi soil. We know that our airplane strikes against the vital facilities of Iraq, the launching of missiles on Baghdad and the artillery fire on Iraqi cities, including Basra, which is the second largest city in Iraq, have left crushing effects on the regime of Saddam.

Marching on World Qods Day and Support for the Continuation of the War

[Question] Hojjat ol-Eslam Hashemi-Rafsanjani announced in the Friday prayer that in order to support the combatants of Islam and the continuation of the war against the Zionist enemy of Iraq, on one of God's days, 5 June, or Qods day, the Hezbollah nation should hold a march in this connection. What is your message to the participants in this march?

Prime minister:

My understanding as an Iranian citizen and an insignificant servant is that there exists an atmosphere which is in support of the principles of the revolution. It is not an atmosphere which seeks comfort, compromise and humility. Our nation is a nation

that has given martyrs in fighting counterrevolutionaries, the conspiracies of the hypocrites, Saddam, and so on, whether at the dawn of the revolution in 1978, before it, on 5 June, or after it. Naturally, the nation is happy with the message of the blood of its martyrs and will stand on these principles to the end. But at the same time, there are individuals who have not realized the message of the revolution from the beginning and this is not a matter which concerns the present. The mistake that Saddam has made, which has resulted in the recent bombings, concerns precisely this issue. In 1978, there were individuals who could not sense the revolution or its leadership and its influence as it was. At that time, too, there were individuals who were upset about the fact that when the imam's name was heard, people would recite three salutations. Later, too, these characteristics existed in economic, social and political areas and they have had reactions at different junctures which also exist in connection with this war. These individuals have not given one martyr since the very first days of the war and have even at times claimed martyrs which were not theirs. They have not participated on the fronts and when our country and the Islamic revolution were directly threatened by Iraq and the enemy had advanced to the gates of Dezful, these individuals would not pay attention to these issues. Now, too, it is natural that they have political intentions and slogans that they are issuing. I think the action of the people in this area will put them in their place. I am sure that the people will give them the necessary answer on the day that has been announced for marching (world Qods day).

#### Air Raids and New Initiatives

[Question] Recently, the Ba'thist regime of Iraq has increased its attacks on the residential areas of the cities of our country. On the other hand, Hojjat ol-Eslam Hashemi-Rafsanjani has spoken of initiatives to fight such attacks in the Friday prayer ceremonies. In your opinion, from when and to what extent can these initiatives prevent the regime of Iraq from air raids on the residential areas of our country and essentially what is the motive of the regime of Iraq in engaging in such desperate actions?

Prime minister:

In this case, it is sufficient for us to look at the recent bombings of the regime of Iraq, which were accompanied by much noise. Suffering much damage and taking numerous risks, Saddam, having received ultramodern airplanes from the superpowers, such as the Soviet Union, the speed of which is about twice the speed of sound, invades Tehran airspace and in retaliation for suffering the above-mentioned damages, releases some rockets at random on an area of 7 or 8 million people. Sometimes these rockets hit a rock, sometimes a residential area, and sometimes



where the Iraqi prisoners are kept. If we pay attention, there are two points at this stage. One is the effects of such bombings, and the second is the point that Iraq cannot aim well enough to make use of these bombers to compensate for the risks that it takes.

Here, the role of the strong fighters of our combative Air Force becomes clear. Of course, the issue is complex in terms of the counterattack by our fighter planes against the enemy airplanes and the inability of the enemy airplanes to come below 7,000 feet, which practically forces them to release their rockets randomly. Sometimes, in order to avoid being damaged seriously by our surface-to-air and air-to-air missiles, they even release their rockets from a farther distance, the results of which we have seen in practice.

In any case, the psychological effect of such bombings is greater than its military effect. If we look carefully, consider the population and the vastness of the city of Tehran, the number of aggressive Iraqi airplanes, the number of such air raids, and their effects, we see that our forces are engaged in expansive efforts to prevent such operations. However, the method of the operations continues to become more complex, because our Air Force and experts are constantly looking for new initiatives to seriously counter such attacks. In this area, we have achieved much progress and Mr Hashemi-Rafsanjani was referring to this issue. We hope to reach a point in this progress at which the airspace of the capital and other cities becomes less vulnerable.

#### Presidential Elections

[Question] The presidential elections are ahead and it seems that we may have candidates this time who are not on the main line of the revolution and who will try to openly question the sacred resistance of the people against the aggressors and war criminals. What is your evaluation in this regard?

Prime minister:

The Constitution prescribes certain requirements for presidential candidates and the bill of elections which is being studied carefully in the Majlis will clarify these requirements. Hence, within the framework of the law, naturally, all individuals may participate in the presidential elections and the government is sincerely responsible for implementing the law.

Another issue concerns the judgment of the people, because after the approval of the competence of the candidates by the Council of Guardians, the people will pay attention to the past, ability, usefulness, initiative, piety, position and learning of the presidential candidates. Since our nation is alert and has

undergone vast political growth unequalled anywhere else in the world, naturally, this vital nation can make its final decision concerning the candidates. With the understanding that exists in this nation, there is no worry about who will be elected, because the people will elect their servants with alertness.

#### Change in the Positions of International Organizations

[Question] For the first time in the past 56 months, the International Red Cross has presented Iraq as responsible for attacking cities in the war. How do you evaluate the gradual change of position of the countries and international organizations with regard to the imposed war?

Prime minister:

In this area, while we must try to explain our just positions to the people of the world and to world organizations, we must not base our actions on the judgments of international organizations.

In the past, the Red Cross held unfair and unjust positions in connection with the Iraqi prisoner camp in Gorgan. The UN report proved the falsity of that position, and so on. However, we view the recent action of the Red Cross as positive. But we must not place more value on what such organizations say about us than they deserve, because what is important to us is to what extent every step that we take is influenced by Islamic and ideological values, to what extent it is in the interest of the Islamic revolution and to what extent it is in the interest of the destiny of the oppressed and dominated nations of the world. This issue must be taken into consideration for the future directions. In any case, we consider positively the recent positions of the International Red Cross and some of the other international organizations. This shows that our just statements have found their place in the world and that our justice-seeking slogans and principled behavior has brought our just position before the eyes of the world more than in the past.

#### The Failure and excuses of the United States in Lebanon

The United States has unsuccessfully concluded its search of nearly three years to find the elements of the self-sacrificing attacks on its interests in Lebanon. Instead, it has prepared a list, and every once in a while, it presents Libya, Syria or the Islamic Republic of Iran as the most probable factor in the attacks against the interests of the United States. The U.S. authorities have recently threatened in this connection that following the kidnapping of several U.S. nationals in Beirut, they might attack some Iranian cities. What is your opinion in this regard?

Prime minister:

Since the beginning of the revolution, we have constantly been a target for U.S. attacks in various forms. We also consider Saddam's attack as that of the United States. For this reason, the attack of the United States on the Islamic revolution is nothing new. In any case, we are prepared to withstand such attacks and we have no fear in this regard. Essentially, I do not think the United States would be so bold as to engage in new adventurism in the Persian Gulf. By doing so, it would receive stronger blows and the U.S. interests throughout the world would be attacked by forces that are deeply enamored of the Islamic revolution.

The blows that the United States and other superpowers suffer everywhere in the world, more than being related to one or another country, are related to the oppressive nature of these regimes, which practically force the billion-large masses of the world to rebel against them. The people will rise up against the oppressive powers on the basis of the level of their growth and awareness.

In the Middle East region, the United States and its allies are facing this problem because the oppressive powers are the main causes of the misfortune, poverty, colonialism and Western domination [in the area]. Naturally, there is a deep hatred for the United States among the nations of the region. When the United States is actually present in an area, the hatred becomes more real, which is what we are facing in Lebanon.

In Lebanon, we are not faced with the issue of Iran organizing the aggressive movements against the United States, but with the rebellious movement of the people against U.S. influence.

When the people of Lebanon see that a number of people have come from the other side of the world, put a number of Zionists, Europeans and Americans over their heads, and even placed a minority called the Phalange Party to govern their destiny, naturally, they become aware. The Islamic revolution of Iran also may have influenced them and sharpened their minds. The people of Lebanon may have gained certain standards to evaluate their situation and in the wake of the Islamic revolution, they may have been able to return to the authentic Islamic values of the Islamic nations. This issue is related to a great historical movement which exists in all the Islamic nations and pivotal to its explosion was the Islamic revolution of Iran.

Therefore, it is natural for its effects to be seen in all countries. These issues will result in the uprising of the people of Lebanon against their enemies. As long as the United States continues its present policies in the world or wants to

dominate the Islamic nations, it will continuously be vulnerable everywhere. This is not specifically related to the Islamic revolution of Iran, but is the result of a great historical movement, which we sense in all the Muslim nations, against all the oppressive powers, headed by the United States. For this reason, the United States will never be free of the blows of the Islamic forces throughout the world.

#### Denial of Membership in the Islamic Holy War Organization

[Question] Recently, the United States has claimed that some of the authorities of the Islamic Republic of Iran are members of the Islamic holy war organization. As the prime minister of the Islamic Republic of Iran, what is your evaluation of such issues being raised by the United States?

[Answer] Immediately after every incident, such as that in Kuwait and the mining of the Suez Canal, for which the Islamic holy war organization was accused, we announced upon investigation that these were conspiracies against the Islamic revolution of Iran instigated by the United States.

Although at that time, a group called the Islamic holy war accepted responsibility for these incidents, it is clear that efforts have been made to present the Islamic holy war organization as an organization that is somehow under the influence of Iran.

Usually such propaganda is followed by preparing the grounds for more aggression against our nation by the oppressive powers.

If we witness blows against the United States, we consider them natural, because such blows exist not only in the Middle East region, but in Latin America, Africa and Asia, and stem from the oppressive nature of these regimes. But, relating this issue specifically to Iran, Syria or other countries stems from the conspiratorial acts of the United States. Therefore, I strongly deny the membership of some of the authorities of the Islamic Republic of Iran in the Islamic holy war organization.

#### Exclusion and Absorption of the Hezbollah Forces

[Question] What decisive steps will the government take to counter the exclusion of the Hezbollah forces for the groundless reason of their lack of expertise?

Prime Minister:

Before commenting on instructions, the issue of the exclusion and absorption of the Hezbollah forces is related to the general and cultural atmosphere of the society.

Hence, I believe that the revolutionary forces must constantly pay attention to preserving the principles and slogans of the Islamic revolution throughout the society.

When those slogans are resonant throughout the society, the grounds for the exclusion of the Hezbollah forces throughout the society and consequently in the offices will be eliminated in practice.

For this reason, before paying attention to the decisive actions of the government in this area, attention must be paid to the duty of all the faithful and revolutionary forces in the government, the offices and the press.

Here, I must emphasize the role of the press, because the mass media must be more aware than the organizations and institutions of preserving the principles of the Islamic revolution, giving the necessary warnings in these areas and controlling the atmosphere of the society in such a way that in practice there will be no exclusion of the committed forces.

The government, too, can have a strong effect in the area of the exclusion of committed forces through strengthening the Islamic societies, recommendations and circular letters; but the success of all the actions depends on the general and cultural atmosphere of the society. We hope that JOMHURI-YE ESLAMI, as always, will play its sensitive role alongside other newspapers.

#### The Accounting Law and the Problem of the Government

[Question] What is the reason for the ratification of the general accounting law under the present conditions in the Majlis and what problems will the government face regarding its implementation?

Prime Minister:

Concerning the general accounting law, it is natural that after the revolution we should have such a law. But there is a difference of opinion concerning the regulations and standards of this law.

Therefore, the general accounting law was discussed and ratified in the first round of discussions, but in the second round of discussions, the government will try to raise its expert views in the special committee on this issue. I am sure that the decision of the Majlis will be in the interests of the country.

Therefore, it is too early at present to speak of the problems which will result from this law. In any case, the government will actively participate in these discussions and present its

views. The honorable representatives of the government who sympathize with the government and have thus far supported the government will undoubtedly pay attention to the problems of the government.

#### Political Turn of France and the Soviet Union

[Question] Recently, a turn has been observed in the policies of France and the Soviet Union towards the Islamic Republic of Iran. As the prime minister of the Islamic Republic of Iran, how do you evaluate this political turn and their request to the Iranian officials to expand friendly relations?

Prime minister:

In connection with France, we sense certain positive tendencies in the political positions in practice, even though there is still a long way to go, and we must wait to see what the future brings.

But the point must be noted that every country in the world tries to follow its own interests. Hence, when we evaluate our foreign relations with France, the Soviet Union, or any other country, it would be a great mistake for us to imagine that they have come to the realization on the basis of moral analysis that the Islamic revolution is a good thing.

Therefore, we must think of what new motives they have found for such a turn having taken place in them with regard to their relations with Islamic Iran.

In this connection, it is very clear that we have not lost our characteristics of opposing oppression and supporting the policy of neither East nor West. However, what I believe has been effective regarding the behavior of the international organizations and some of the countries towards us is their becoming more realistic in regards to the Islamic revolution in our country.

Our country is located in a strategically and geographically sensitive position in the world and its power is increasing day by day. It has become a determining force in the Middle East and the early beliefs have been eliminated. They thought that this revolution would be destroyed in two or three months, whereas now they see that these dreams are gone with the wind. Even recently, one of the counterrevolutionaries has set a time for it, two years. Therefore, the superpowers have realized the power of the regime of the Islamic Republic and know that the destruction of this regime is a futile expectation. On the other hand, it stands firmly on its principles and has resolved its problems most astonishingly in political and other areas.

Naturally, as was mentioned, we see more realism in the relations between these countries and our own.

#### Lebanon and the Conflicts Between Amal and the Palestinians

[Question] How do you evaluate the severe conflicts between the Amal and Palestinian forces and the proposal to disarm the Palestinians?

Prime minister:

We consider the recent conflicts between the Amal and Palestinian forces unfortunate for all the Islamic movements and Muslim nations, because we must place all of our forces side by side to fight the oppressive powers and Zionism. Therefore, all our power must be used to eliminate Israel rather than to draw arms on one another. It has been proven throughout history that unity of words, standing side by side, and aiming the arms at the enemy are the factors in victory.

What is taking place in Lebanon is precisely contrary to the goals of the Islamic nations, because one of the greatest goals of the Muslim nations is the liberation of Palestine.

On the other hand, we believe that the Islamic forces near the Zionist borders need more than ever before to remain armed. We do not consider it appropriate to disarm the Palestinians; the Palestinians must remain armed.

But, these statements must not be considered an endorsement of some of the compromising leaders of the PLO. Among the Palestinians, there are combative forces whose goal is armed and violent struggle against Israel, pushing Israel out, or eliminating Israel, and we respect these individuals.

We consider the Palestinian masses as Muslim brothers who have suffered calamities and we feel bound to them. We believe that they must remain armed. All the Palestinian officials who do not intend to compromise must be supported and at their side all the Islamic forces which intend to fight the United States and Zionism must continue to fight against their common enemy. In Lebanon, the opportunity which was gained after so much self-sacrifice of the Muslim forces which resulted in the withdrawal of the United States and Israel must be used.

Also, we must note that evil people can penetrate these groups who are present on the scene. Attention must be paid to the tainted hands of Zionism and the United States behind such conflicts, and they must be fought.

## Groundless Rumors

[Question] There are rumors concerning your being a candidate for the presidency, which are being escalated mysteriously. Do you have anything to say in this regard?

Prime minister:

I have never had nor do I have such an intention. This rumor is groundless, for whatever reason it has been spread.

10,000

CSO: 4640/612



IRAN

PRESIDENT SAYS ONLY VICTORY CAN END WAR

LD071537 Tehran IRNA in English 1514 GMT 7 Jul 85

[Text] Tehran, 7 July, IRNA--"Only the victory of the Islamic Combatants can put an end to the imposed war," President 'ali Khamene'i said Sunday.

Khamene'i, who was addressing families of the martyrs from various parts of the country added that if he were ever asked about Iran's plans for attaining victory, the answer would be that with this brave and faithful nation, nothing is out of our reach.

Referring to the necessity of reconstructing the country after the victory over the Ba'athist regime, Khamene'i said "we have a long way to go to reach the ideal Islamic society. This is a hard task, but it would be a turning point in the history of mankind."

In another part of his speech, the president said, "today we are manufacturing weapons that before the revolution, we could not even imagine making them even after a century.

"Under the former regime, there was no room for these inventions and innovations, because depending on super powers was part of the culture the former regime was promoting," he said.

"We have taken successful strides towards attaining self-sufficiency regarding the imposed war, and this is only the beginning," said President Khamene'i, concluding that, "the supporters of Saddam should know that he cannot escape the doomed destiny the Iranian nation has prepared for him."

President Khamene'i was presented with a donation of 2.24 million rials (about \$22,400) by the people of Neyshabur to be used in the national war efforts.

CSO: 4600/517

IRAN

KHO'INIHA STATEMENTS ON POLITICAL ASPECT OF PILGRIMAGE

GF051630 Tehran International Service in Arabic 1430 GMT 5 Jul 85

[Text] On the second and final day of the general congress of religious scholars and directors and supervisors of the pilgrimage convoys, Musavi Kho-iniha, the Imam's representative in charge of Iranian pilgrims, expounded the principles pertaining to pilgrimage and visiting God's house on the basis of the verses of the Korean and Islamic traditions.

Kho'iniha emphasized that the political dimension of the pilgrimage congress is great and that those who consider pilgrimage merely an act of worship and take no heed of political matters are very far from true Islam. He added--If the most noble Prophet were present today among the people as in the early days of Islam, next to God's house, do you know what the most important news he would tell? He would say that the enemies of Islam are attacking Muslims and that Muslims are inflicted with the scourge of the United States and international arrogance and that Islamic territories have fallen into the hands of the unjust.

The Imam's representative in charge of the Muslim pilgrims emphasized the need to replenish the army of Islam from the great pilgrimage congress to fight the Zionist occupiers of Jerusalem and Palestine. He said: Who is it that has said "if a wronged person shouts against a wrongdoer, then this will be considered controversy, and that this controversy is forbidden in Mecca." Is one who has colluded with the United States a Muslim?

Our correspondent said that the congress issued at the conclusion of the meetings a resolution of eight points, emphasizing that it is the duty of the Saudi Government to preserve Islamic relics and places and maintaining them, and providing the opportunity for all Muslims in the world to perform this divine duty to demonstrate the capability of the Islamic nation in front of the arrogant ones.

The resolution also condemned the conspiracies of international arrogance against Islam and Muslims particularly the threats by the arch-Satan against the wronged but steadfast Lebanese people. It affirmed the need for the Lebanese people to continue to be steadfast until final victory is achieved.

CSO: 4604/32

## IRAN

### REYSHAHRI ON STEPS USED AGAINST COUNTERREVOLUTIONARIES

Tehran SOBH-E AZADEGAN in Persian 15 May 85 p 2

[Text] News Desk—Hojjat ol-Eslam Reyshahri gave a press conference yesterday morning in which he discussed some of the Ministry of Information's activities against the counterrevolution and the mini-group agents of East and West. He also discussed the Friday prayer bombing, the agents who carried out this shameful act, and recent bombings such as the one at Naser Khosrow Street. He began by citing a tradition from His Holiness the Commander of the Faithful (Peace Be Upon Him) concerning the Kharejites, which says: The truth-speaking Prophet told me that the Angel Gabriel had conveyed a message from God Almighty that God had ordered them not to revolt or leave to make the Prophet's group smaller and their own group larger; from this day to resurrection day God has placed the lives of that group in our hands. The interesting point in this tradition is that His Holiness did not confine his remarks to dissidents of his own time, but extended it to cover opponents of Islamic government until resurrection day. If there should be an Islamic government with people opposing it, from today until resurrection day, God orders that the lives of internal enemies of Islamic government such as the Kharejites are in the hands of the Islamic government. In our own government we believe that this prophecy is completely correct. All of the plots of the mercenaries of East and West have been thwarted. They are arrested either before or after carrying out their operations and are punished for their acts, and just as the Lord commands, their lives are in the hands of the Islamic government. He then says that the best holy crusade is one against the enemies of Islam, the best crusaders are the ones who kill them, and the best martyrs are the ones they kill.

Continuing, he classified opponents of the government of the Islamic Republic of Iran, mentioning the counterrevolutionary minigroups, especially the hypocrites and power-seekers, who form a shameful triumvirate in collaboration with the Ba'thist regime of Iraq, hoping through their mutual effort to overthrow the Islamic republic. Of course there are other minigroups who cooperate with these three principal centers on the fringes, especially since the Iraqi regime has been faced recently with a disorderly situation both domestically and at the fronts. In a joint plan with the hypocrites and power-seekers, they have decided to hit the Islamic republic with what they consider to be a blow. On the one hand the hypocrites will spy at the fronts and provide Iraq with war intelligence, and the hypocrites, on the other hand, will cooperate with the Zionist Iraqi regime, using the resources it provides this mercenary minigroup, and begin a series of domestic operations which they think will win the people's support for the peace initiative and the recent bombings. It is also in connection with this, especially after Iraq realized that Iran has extensive resources for responding in kind, and that even the city of Baghdad cannot respond to us in kind, that Iraq decided to hire mercenaries like the hypocrites to bomb residential areas and kill ordinary people, thereby attain their evil objectives by doing something that they think will cause the people to persuade the government to make peace or a peace imposed on the Islamic Republic

of Iran. In another part of his talk, he discussed how the bombing was carried out at the Tehran Friday prayers. He said: Two mercenary murderers from Iraqi intelligence named Mostafa Lotfi and Khaled Vaziri, along with Ja'far Qaderi-Fardi, who played a part in the Sunday bombing at Naser Khosrow Street, obtained an explosive one-by-three meter pile carpet from condemned brother Salar Jaf and came to Iran. In cooperation with two other people, they spread the carpet in the prayer ranks two hours before the sermon was to begin and set it to explode two hours later. The carpet exploded at the appointed time.

He added: At the time of the explosion, they were dancing and listening to music in a place overlooking the University of Tehran. Each of these murderers received 100,000 tomans from the Iraqi regime for bombing the Friday prayer. In addition to an explosive carpet, these murderers had obtained 6 packages of explosives, four of which they detonated near the Qatur bridge in Urmia with the help of a Turkish carpet dealer. The murderers who were connected with the Tehran Friday prayer bombing were arrested by Azarbaijan general intelligence, and, God willing, after being transferred to Tehran, they will quickly be tried and punished. The Minister of Information then discussed the perpetrators of the Sunday bombing at Naser Khosrow Street. He said: The explosives were brought into Iran by Iraqi intelligence (the Ba'thist Security Organization). They were stashed in a Peykan automobile by Mas'ud Qaderi and Hamid Mokhtari, who are now in hiding. God willing, they will be arrested through the publication of their photographs and with the people's assistance.

Showing photographs with little Islamic dignity from the family of Ja'far Qaderi and Mas'ud Qaderi, he added: There are indications that one of the criminals of the Naser Khosrow Street bombing also killed his accomplice in the bombing in order to get all the money for himself. The Minister of Information discussed the Gisha Street bombing. He said: Seasoned ruffians and thieves named 'Abbas Tabbakh, Khosrow Bonyadi, Javad Gerdgiran and Bahran Tabra'i are responsible for this bombing. From them were taken 57 cans of rolled TNT, explosive fuses, and many photographs of Bakhtiar and announcements threatening members of the Hezbollah. The discovery of this group will prevent them from carrying out more extensive activities.

The Minister of Information added: Another network recently discovered through the grace of God was one that, according to admissions by those arrested, was planning operations in connection with the Majlis. From these individuals 6 packages of TNT, each weighing 600 grams, electrical and manual blasting caps, and electrical remote control blasting caps were obtained.

The Minister of Information added: Another bombing network which was discovered in the last day or two before it could do anything was planning to detonate a bomb in front of one of Tehran's sensitive centers. Its members were arrested before acting.

The members of this network are named Saleh 'Ali-Penah and Mansureh Fedavi of Baneh. Their explosives were stashed in a hydraulic jack and an automobile battery, and, praise God, their plot was thwarted.

Mr Reyshahri discussed the firing of an RPG at the revolutionary prosecutor's building. He said: The attack team against the revolutionary prosecutor's office includes four hypocrites named Sa'id Jalali, Mohammad 'Ali Arjmand-Haqiqi, Ahmad 'Abbasi, and Mohammad Reza Salmani, each of whom played an important part in crimes and terrorism. Their most disruptive operations were an attack on the Tehran Revolutionary Prosecutor's Office, the assassination of a partisan of God on Golbarg Street, and the assassination of a partisan of God plumbing fixtures vendor on Kaj Street. This team was also active in the mining operations against the revolutionary guard in Kordestan. Two RPG-7s, one G-3, one Uzi, four side arms, four counterfeit seals, 28 cyanide pills,

a lantern, internal group documents and papers, and a significant quantity of ammunition were taken from them. This group was also planning the strike the ISLAMIC REPUBLIC NEWS AGENCY with RPG-7s, but it was unsuccessful and its members were arrested.

The Minister of Information discussed the operations and crimes of another group of hypocrites which martyred tens of people in the streets and bazaars in Iran's various cities and also attacked the accounting office of the Foundation for the Oppressed and the Alhadi Mosque Library. He said: In one clash, two members of this group were killed and another was wounded. The group's commander is an individual named Sa'idi, who was arrested by the Ministry of Information while fleeing from Iran with the help of people's reports.

He added: Nowhere else in the world will you find such crimes as the people in the streets and bazaars being martyred in this way. If the hypocrites have any quarrel it is with the officials, but they have correctly realized that this government is a people's government, and that it is the people of the streets and bazaars who will not allow a government to be overthrown which is opposed by East and West. This is the reason they kill grocers, plumbing fixtures vendors, pharmacists, and merchants.

According to the Minister of Information, the Ministry of Information also discovered 26 team homes and 6 storefronts which were being used by them as covers in various provinces in the country.

The Minister of Information was asked if the bombing at Naser Khosrow Street had been intended for that location. He said: Another place was probably intended. There are indications that they acted prematurely before reaching their destination, killing a second person.

Hojjat ol-Eslam Reyshahri commented on the Arya group's claiming responsibility for the Naser Khosrow Street bombing. He said: There are no entities other than the hypocrites, the power-seekers, and Iraq. These acts are being carried out by this triumvirate, even if some other minigroup claims responsibility. In conclusion, the Minister of Information addressed himself to supporters and members of these minigroups. He said: You must come to your senses before it is too late; look at your leaders and see how they cling to the skirts of East and West and how their hands are stained with the blood of innocent people. Turn back to Islam and turn yourselves in before you are punished by God and the Islamic republic's grip of justice.

9310  
CSO: 4640/617

IRAN

HIGH-RANKING CLERIC DISCUSSES ISSUES DEALING WITH LEBANON

Tehran ETTELA'AT in Persian 12 Jun 85 pp 3, 4

[Interview with Hojjat ol-Eslam Mehdi Karubi, director of the Shahid Foundation, regarding his delegation's trip to Syria and Lebanon, by ETTELA'AT; date and place not specified]

[Text] Following the recent fighting between the Amal group and the Palestinians in Beirut, which resulted in heavy damages on both sides, upon the instructions of Grand Ayatollah Montazeri, a delegation of officials of the Islamic Republic of Iran headed by Hojjat ol-Eslam Mehdi Karubi, director of the Shahid Foundation and representative of the Majlis, left for Syria and Lebanon to study this urgent issue and make efforts to halt the conflicts between the Lebanese and Palestinian Muslims.

The delegation engaged in a series of meetings, contacts and extensive activities to end the battles and unite the Lebanese and Palestinian factions and was able to stop the fire of conspiracy and fratricide.

Following the departure of this delegation, our correspondent spoke in an interview with Hojjat ol-Eslam Karubi concerning the gains of this trip and the reasons for the recent conflicts in Beirut. The text of this interview follows.

ETTELA'AT: What were the reasons for the visit of the delegation of the Islamic Republic to Syria and Lebanon and what was gained by this visit?

Hojjat ol-Eslam Karubi: In the name of God the compassionate and the merciful.

In the wake of the victories of the Muslims in Lebanon and the blow that Israel received from these Islamic forces, hope and pride was created in the Islamic forces and, on the other hand, a sense of fear and anxiety was created in the forces of the enemy, Israel and the Zionists. Clear evidence exists that after the withdrawal of the Zionists from Lebanon, they wanted to create

internal conflicts, to set the internal forces against each other in order to weaken them so that they would give up their fight against Israel and become preoccupied with themselves. Hence, after the victory of the Muslims, these problems started, and in the course of this brief period, the Ministry of Foreign Affairs and the officials of the Islamic Republic have been engaged in efforts and activities. I have personally gone to Lebanon twice. One of the problems being used is the escalation of the Shi'ite-Sunni issue. The enemies have tried to create enmity and hostility among the Muslims, because these conflicts and killings create such hostility that both sides become blood enemies. As I mentioned, the Islamic Republic has dealt with this issue actively and is quite familiar with these conspiracies.

It has tried to the best of its ability to neutralize these conspiracies so that the people of Lebanon will be able to continue fighting Israel.

The truth of the matter is that Israel still occupies a rather significant part of southern Lebanon. If I am not mistaken, one-tenth of Lebanese soil is still directly or indirectly controlled by the Zionist enemy.

Therefore, Israel is still in Lebanon itself and the forces must fight in a united front to drive it out of their country. The Islamic Republic has been and is active in this area.

This trip was particularly important because this delegation was related to Grand Ayatollah Montazeri and was sent in accordance with an official detailed decree. There, too, naturally, it was given special recognition in the whole region, especially in Lebanon, by the revolutionary forces and clerics, both Shi'ite and Sunni.

The delegation was successful in its mission in regards to a series of issues. You know that before this delegation was sent, and particularly after the recent Palestinian and Amal conflicts, vast propaganda against the Shi'ites began. Shi'ites were presented as the instigators of this war. Essentially, the war was presented as a war between the Shi'ites and Sunnis and the Shi'ites and Palestinians.

In regards to eliminating these doubts, the delegation was very successful. In meetings, contacts, positions taken, interviews and particularly the position of Grand Ayatollah Montazeri, the efforts of this delegation nearly eliminated the issue of distorting Shi'ism.

Also, the Sunni forces and the Sunni brothers who are sincere explained their positions. Those who wanted to escalate this

issue and begin a Shi'ite-Sunni war between the two sides failed and the conspiracy was neutralized.

The situation was even explained to some of the Shi'ites who could have been influenced by this propaganda and these emotions or insincere persons, and they were made aware of the conspiracy.

Therefore, this trip served to restore the tarnished face of Shi'ism, prevent bloodshed and clarify that in the recent conflicts in Beirut, there is no war between the Shi'ites and Sunnis or Shi'ites and Palestinians, that it is, rather, a political game, the conflict between two political movements. Most of the forces in these movements did not agree with such behavior.

The delegation made use of various methods for this purpose and tried to make direct contact with the people.

In the previous visit, we met with the clerics, but we did not have extensive contact with the people. This time, we held detailed meetings with the Syrian officials and the clerics, both Shi'ite and Sunni. We also held interviews and speeches and made contact with some of the officials of the Palestinian groups and the Amal movement.

The significant purpose in this trip was to create general programs to speak with the people. In the villages of ("Dirqanun") and ("Ma'rekeh") in southern Lebanon and some of the other villages, the people warmly welcomed the delegations in the mosques and religious centers. We explained to the people the position of the Islamic Republic and the message of Grand Ayatollah Montazeri concerning the need for unity to continue the struggle on an extensive level. Naturally, these activities were effective. In the Palestinian camp ("'Eyn ol-Haveh") in southern Lebanon, we had a long speech in the Nur mosque and spoke on the people's motivation in regards to Palestinian liberation and essentially the Palestinian issue. A large crowd was present there and reacted very positively, both politically and in terms of the main issue. In other words, it was important for the Islamic Republic to directly involve itself in the issue.

Question: Can it be said now that the issue of the recent conflicts has been fundamentally resolved?

Answer: In regards to the recent killings and bloodshed, the meetings and the presence of the delegation were effective and those who are escalating the problems felt that if they continued to do so, they might become isolated.



In these few days, the issue subsided somewhat and the conflicts were not as they were before. Even certain cease-fire agreements are being worked on. Work has been done to this extent.

However, we might not be able to say decisively that the issue has been fundamentally resolved and that there will be no more conflicts, because this problem is related to general, complicated issues regarding Lebanon. These conflicts have certain roots and insincere persons might take advantage of them.

One of the issues that exist is the sensitivity of a large group in Lebanon towards a number of the Palestinians. Some are sensitive towards 'Arafat. Besides, the Syrian government will not agree to the return of 'Arafat.

Some of the people of Lebanon are also of the same opinion. But the delegation insisted that the Palestinian issue is an Islamic one. An Islamic country has been usurped. The danger of the occupying Zionists and their plans is the major danger. And there is the issue of the oppressed people of Palestine, who are refugees and who are not even left alone in the camps, which is a different issue from that of particular persons or a part of the Palestinian leadership and incompetent persons.

Question: What is your opinion in regards to the issue of disarmament which has been raised recently?

Answer: We oppose this issue, because we believe that if the Palestinians are disarmed, before long the Shi'ites will also be disarmed.

The people in the south were the Shi'ites and Muslims who fought Israel. What guarantees would we have that they would not be disarmed later? How could we know that this is not a U.S. and Israeli conspiracy, the aim of which is to set the mind of Israel at ease that it is safe from the danger that it feels?

The issue is that arms must exist. But how? Naturally, the Islamic Republic of Iran believes that it must support fighting Israel rather than flaunting before the people and civil war. All weapons must be aimed at the Zionist enemy. But I cannot give opinions on the details of where the arms should come from, in what form and what the method of struggle should be. But we oppose disarming in principle, because if the forces are disarmed, who will fight Israel? If the Palestinians are disarmed, who will defend them under the conditions that exist in Lebanon with the Phalange Party next to them? They might be attacked at any moment by Israel and the Phalange Party; who will defend them? The second point is that if disarmament is carried out, it will not end there.

And this is the complexity of the issue. Some say that arms will be imported once again by Yaser 'Arafat or that they were the instigators of the recent wars and they were provoked by 'Arafat. On the other hand, some say that the issue is not such and the Amal group has created it, and so on.

What is certain, however, is that the nature of the action consisted of tragedy, damages, the elimination of Muslim forces and extraordinary destruction in the Palestinian camps inflicted on these very oppressed and suffering people. These are issues which are very painful and very depressing for every witness.

If the forces that were eliminated from both sides in these conflicts had been eliminated in a war with Israel, Israel would have suffered dozens even hundreds of deadly blows.

Here I repeat that in our opinion, the Palestinian issue and the Palestinian people are separate from the leadership of 'Arafat and his compromise and relations with King Hoseyn and this we condemn.

But it is also a reality that the struggle must exist, the Muslim people of Palestine must fight Israel, and this struggle requires arms.

Question: What is the reasoning of those who believe the Palestinians must not be armed?

Answer: Here, I will only quote. They say that this type is not the type to fight Israel and only create problems for us (Lebanese). They say that the Palestinians came to Lebanon, filled the ghettos with arms, and in addition to the incidents and occasional corruption created, they placed us in danger from Israel; when Israel attacked and came towards us, without fighting, they put down their arms and left. Now that the people of Lebanon have fought and made Israel withdraw, again they have returned. If they (Palestinians) return, there might be problems and when an incident occurs again, they will not be capable of fighting. In addition, the armed presence of the Palestinians in Lebanon is a sort of government within the government of Lebanon, and so on.

This is what the opposing side says.

On the other hand, some say that the Palestinians must be armed and pledge to cooperate with the Lebanese and to use arms only against Israel.

These are the views which are expressed.

Question: But these conflicts, particularly camp wars, occurred immediately after a series of incidents which indicated the defeats, one after another, of the Phalange Party in the south (Saida and [Kofr Falus]) following the greater defeat of the Zionists. Some believe that these battles and their future consequences indicate an effort to preserve the balance of the tribal forces in Lebanon. What is your opinion?

Answer: Considering the character and makeup of Lebanese society and the events that occurred before these conflicts in Lebanon and the blows that the enemy suffered previously, on the whole, this issue is not unrelated to those issues, because these conflicts naturally weaken the domestic forces, which would result in the coming to power of the enemies of the Muslim people of Lebanon and retrieving the positions they have lost.

Here I must point out that every area in Lebanon is controlled by one group and these groups are continually trying to expand their territory. This in itself results in internal conflicts and irrational, non-Islamic rivalries. Therefore, even in some places about which I do not want to speak explicitly, in an area which was controlled by one group, when the members of the Hezbollah wanted to pass through and inflict blows on Israel, unfortunately, they were arrested and disarmed. We see here that the Palestinians are not at issue at all.

The situation in which everyone controls one area or another results in obstacles in the fight against Israel, whether they are obvious obstacles or intangible obstacles, as in the recent conflicts.

These issues are similar to some of the issues in our society.

How was it that precisely after the victory of the revolution, the issue of Kurdistan arose? And how was it that in the very first months of the revolution, the incidents in Mahabad and Sanandaj occurred? Were anyone's rights taken away in the first months, when they said to give the rights to the Kurds, or was there any difference between the Kurds, the Arabs, and the people of Tabriz? Were any rights, for instance, given to the Turks in Azarbaijan that were not given to the Kurds? Or previously in Gonbad, was any law ratified against anyone? Obviously, after the victory, these incidents were created in order to divert the forces from their main objective.

The same problem can be sensed in Lebanon. After those victories, these incidents, which are on the whole related to foreigners, occurred, in which, according to Grand Ayatollah Montazeri, the hands of the United States and Israel are detectible.

In conclusion, I would like to thank the Lebanese clerics, both Shi'ite and Sunni, the assembly of Muslim clerics, the honorable Sheykh Fazlollah, and other brothers whose principled positions have reduced the conflicts. I would also like to point out that if it were not for the positions of the Islamic Republic of Iran and these brothers, the danger of the expansion of these conflicts would exist even among the Shi'ites themselves, which, thank God, has been eliminated to a great extent today.

10,000

CSO: 4640/610

IRAN

TEHRAN BROADCASTS COMMENTARY ON OPEC

GF090810 Tehran Domestic Service in Persian 0430 GMT 9 Jul 85

[Commentary by the Research Group of the Central News Unit]

[Excerpts] The oil ministers of 13 OPEC-member countries last Sunday evening ended OPEC's 74th session after 3 days of discussions and exchanges of views and without reaching effective and decisive conclusions.

Without a doubt the first unpleasant effect of the 74th OPEC session which failed to obtain a clear result is the repeated lowering of prices in the world oil market.

A few weeks before the recent OPEC meeting the world oil markets were inactive and from now until the next meeting on 22 July, if there are deals made on the international markets, it will be at prices lower than those of a few weeks ago.

In any case we have to see why the OPEC meeting was held earlier than planned and why, despite the fact that in January OPEC lowered the price of Saudi light crude by \$1, the downward price trend did not stop. Is it possible to give a clear picture of the future of the oil market? These are questions which we will try to answer.

Looking at existing figures on OPEC production, OPEC's share in the world oil market, and the member countries' income, we note some important facts.

The total OPEC output in 1976 was more than 30 million barrels per day. This trend continued until 1979 and after that it followed a downward trend and finally in 1984 it dropped to 16 million barrels per day.

OPEC's share in the world oil production dropped from 53.4 percent in 1976 to 44.0 percent in 1980 and finally to 30.8 percent in 1984. In this connection the income raised through sale of oil by OPEC-member countries in 1976 was about \$137 billion and in 1980, following the success of the Islamic revolution in Iran and the considerable rise in prices, the income rose to \$281 billion. It is expected that this figure will drop to \$138 billion during the current Christian year.

There was a time when OPEC produced more than 30 million barrels of oil per day and there were still customers left in the oil market. Why is it today OPEC with production of less than 15 million barrels per day cannot find customers for its oil? Why is it OPEC witnesses a few cents' drop in the price of oil each day?

The reality is that the industrial nations tasted the bitter taste of three oil-shocks during the two Arab-Israeli wars and the success of the Islamic revolution in Iran. They felt the enormous danger that could have endangered their existence. The truth is some countries in OPEC remained indifferent to everything and continued to dream about their petrodollars. They continued to have a good time while experts and researchers in the industrial world were busy making long-term plans and programs to lower OPEC's share in the international oil market. In other words they planned to destroy OPEC as a viable solution and goal.

First of all, stockpiling was accepted as a vital matter. There was also a stepped-up effort to raise the production levels of countries who are not members of OPEC and investments to find new oil fields doubled. In this effort, the communist countries also raised their production levels and to complete the plan against OPEC, the slowing of industrial growth in European countries was very effective.

At this rate things came to such a state that the production of oil in the United States, Canada, Mexico, Great Britain, Norway, and Egypt rose from 11 million barrels in 1976 to nearly 17 million barrels in 1984. Therefore those conditions existing in the market when OPEC oil had many customers and when prices rose to nearly \$40 per barrel were gradually reversed. While demand for OPEC oil dropped, prices also came under pressure. The first consequence in this change was the \$5 price drop in 1983 to \$29 per barrel.

One can criticize OPEC and say that with a longterm strategy and by predicting the potential changes in the market the present circumstances could have been avoided. [passage omitted]

The real bitter truth lies in OPEC itself. The constant ill discipline, huge discounts, selling oil above each country's quota and disregard for most of the regulations comprise OPEC's internal problems. These are the main reasons allowing the plans and efforts by the industrial powers to lower the oil prices and at the same time weaken OPEC's role in international oil markets. Taking into consideration various predictions, market conditions will certainly not improve for the next 3 or 4 years and OPEC members should expect worse days ahead. [passage omitted]

CSO: 4640/639

IRAN

TEHRAN REPORTS ON CABINET SESSION PROCEEDINGS

LD071627 Tehran Domestic Service in Persian 1030 GMT 7 Jul 85

[Excerpts] In today's cabinet session the political developments of the country were discussed and studied. In this session Minister of Islamic Guidance Khatami explained the importance of the role of public relations in strengthening the relationship between the people and executive organizations, and called for the strengthening of these relations. In this connection the cabinet decided--in view of the essential role of the people in the Islamic Republic and the reciprocal bonds between the people and the officials responsible which places a heavy mission on the public relations sections, and considering the instructions issued by the Imam of the Ummah concerning those projects which have been accomplished, and the serious confrontation with the expanded onslaught of the propaganda of world arrogance--that the public relations units should serve under the direct supervision of the higher authority of the concerned organization, and that the official in charge of this unit should become a member of the Council of Under Secretaries.

Also, the State Organization for Administrative and Employment Affairs of the country was made responsible--in order to establish organizational links and to attract a skilled work force, especially in the field of public relations--for carrying out certain reforms.

According to our reporter, in this session Prime Minister Musavi, while encouraging the strengthening of public relations, stated: If public relations sections are to be strengthened, and if individuals who are middlemen between ministers are to be placed in public relations sections, problems and difficulties will be communicated speedily and we will gain good experience. On the whole, public relations are the means by which publicity could be expanded and they are the ones capable of laying the grounds for more expansion; if investment is made in this connection, after a while, the organizations will benefit from the returns.

Also in this Cabinet session, the report of the Economic Commission was studied, and the sum of 7 billion rials allocated as emergency development funds for the provinces of the country. Also, the sum of

400 million rials was placed at the disposal of the police for funds concerning the welfare of prisoners. [passage omitted]

Also in today's session the executive codes of the presidential election law were passed.

CSO: 4640/638



IRAN

IRNA REPORTS ON LEBANESE-EGYPTIAN ISLAMIC SOLIDARITY

LD081234 Tehran IRNA in English 1204 GMT 8 Jul 85

[Text] Beirut, 8 July, IRNA--The assembly of the Muslim Lebanese Theologians in a statement Sunday supported combatant Egyptian Muslims and called for the continuation of their fight against Husni Mubarak's regime until the achievement of final victory.

The statement added that Lebanese and Egyptian Muslims were confronting a common enemy: the Zionist regime.

Hailing the struggles of the Egyptian Theologians, the statement stressed that soon the Islamic revolution will become victorious in Egypt and there will come a day when true Islamic rule will be established in all Muslim states.

In another development, Sheikh Muhammad Hassan Fadlallah announced that if the U.S. embarked on any hostile measures against Lebanon it will receive nothing but further resistance of the people and their retaliatory measures against U.S. interests.

Speaking at a press conference, Fadlallah condemned reconciliatory plans of the Arabs with the U.S. and said that these plans were merely aimed at disarming the Muslims.

CSO: 4600/518

IRAN

UK PAPER REPORTS PLANS OF 'TOP-SECRET GUERILLA BRIGADE'

LD070818 London THE SUNDAY TELEGRAPH in English 7 Jul 85 p 2

[Article by R. H. Greenfield]

[Text] Iran's top-secret guerilla brigade, set up last year to conduct subversive operations abroad, has dispatched groups of suicide fighters into south Lebanon.

The Isargaran ("Lovers of Martyrdom") are under orders to recruit sympathisers from among the Shi'ite population for Isargari ("martyr-like") attacks on the Israelis.

According to documents made available to THE SUNDAY TELEGRAPH, two thirds of the Iranians in the Zeinab-ol-Cobra [as received] camp in the Syrian-held zone of Lebanon have been sent south on the recruiting drive.

The Iranians are under instructions to avoid direct confrontation with Israeli forces in the area, lest their capture reveal Iranian involvement.

The 110th Independent Brigade was set up last year for the express purpose of "conducting irregular warfare in enemy territories."

It was set up on the direct orders of the Ayatollah, as the result of a handwritten memorandum from Khomeyni himself.

It was given an initial establishment of 1,500-2,000 men all under 30, preferably unmarried, and "completely committed to martyrdom". Among the instructors are Palestinian Arabs with long-service experience in the Israeli Army.

These comprise all countries that are in less than total sympathy with the fanatical brand of Shi'ite revolution peddled by the Ayatollah Khomeyni, including most other Islamic states.

The brigade is independent of both the Iranian Army Command and the revolutionary guards, and answers directly to the Ayatollah. Its task is to eliminate his opponents abroad and to destabilize and subvert, by terrorism, any regime that incurs his displeasure.

The identity of the brigade commander has been kept secret even from members of the Ayatollah's own regime--he is referred to simply as "Brother Mirhashem."

But officials of the Paris-based National Movement of the Iranian Resistance believe the brigade is commanded by Husayn al-Musawi, the Iranian-born leader of the Islamic Jihad group [as received: Bureau records show Al-Musawi as the leader of the Islamic Amal based in Ba'labak, eastern Lebanon] that claimed responsibility for the suicide bombing of the American marine base in Beirut.

The National Movement which is led by Mr Shapour Bakhtiar, the former Iranian Prime minister, obtained copies of several documents relating to the 110th Brigade from sources in Teheran, and believes them to be genuine.

Several of them refer to plans to infiltrate members of the brigade into the "caravans" of Iranian pilgrims setting out on the Hajj pilgrimage to Mecca next month.

About 15,000 agents provocateurs are to mix with the record number of 150,000 Iranian pilgrims going to Mecca, with the task of inciting violent demonstrations against the Saudi government and of reporting on backsliders.

They will also be seeking to recruit sympathizers from among the more fanatical Shi'a Muslims making the pilgrimage from other countries, with the aim of exporting the "Khomeyni revolution."

Another task will be to canvass support for the Ayatollah's demand that the Saudi Government should cede control of all Muslim holy places in the country to a committee including Iranian representatives.

Turkey is also a target for the 110th Brigade. With a view to a campaign of violence and terrorism some time in the future, a recruiting team is being slipped in to identify suitable Moslem fanatics and 100 Armenian dissidents. These are to be given false Iranian passports and Farsi names by the Iranian embassy in Turkey then sent to Iran for guerilla training.

In order to mount this ambitious programme of subversion, the brigade is having to draw on young fanatics from among the Ayatollah's revolutionary guard, particularly for the Hajj operation, despite the pressures of the long-drawn-out war with Iraq.

The Ayatollah's problems in finding sufficient volunteers, in the face of mounting war casualties is indicated by an order from the High Defence Council to the National Conscription Office of the Iranian Gendarmerie.

From February this year conscription officials have been required to divert all conscripts and reserves into the Revolutionary Guards Corps.

Furthermore, "where no volunteers are available, they are to arrest ordinary people on sight and if they are eligible for conscription, send them to the training centres."

CSO: 4600/519

IRAN

ANOTHER GROUP OF IRAQI POWS MEET WITH FAMILIES

Tehran SOBH-E AZADEGAN in Persian 22 May 85 p 2

[Text] In a continuation of its humanitarian measures, yesterday morning the Islamic Republic of Iran arranged for a reunion of several hours between members of Iraqi prisoners' families and their prisoner relatives in a joyous and kindly atmosphere at the Tariq ol-Qods Camp No. 4.

A group of prisoner family members, most of whom had traveled a long ways to see their prisoner relatives, some from outside the country, entered the prison yard bearing bouquets and other gifts and embraced their prisoner relatives. The Iraqi prisoners, who were excited about seeing their relatives after a long period of separation, embraced family members, including mothers, fathers, brothers and sisters, and, while cursing the criminal Saddam, cause of the imposed war and the homelessness of the Muslim people of Iraq, presented them with gifts they had hand crafted themselves.

During these meetings, which were held in family groupings at the camp, the prisoners had lunch with their families while describing their lives.

This report states that a 31-year-old Iraqi prisoner from Baghdad with a degree in economics who had served as an officer in the Iraqi army, discussed his activities in the camp while visiting the parents of his wife. He said: They give classes in ethics to a group of prisoners at the camp. While expressing his happiness with the humane behavior of the prison guards, he said: There is no precedent anywhere in the world for a prisoner to be given permission to see his relatives.

He expressed the hope of being able to repay the kindness of his Iranian brothers with the elimination of the Ba'thist party and Saddam and the establishment of an Islamic republic in Iraq.

He was taken prisoner at the fronts by the combatants of Islam seven months after marriage. While looking at a picture of his young child, who has not yet been able to visit him, he said that his best memory during his imprisonment was the visit with the parents of his wife. He said: I thank God for saving me through imprisonment.

Another prisoner, who was visiting his maternal aunt and nephews and who considered himself a guest of the Islamic republic, discussed the valuable awareness he had gained in religious matters at the camp. He that he will return to his country only in the event of Saddam's destruction and the establishment of an Islamic government in Iraq.

Another Iraqi prisoner who was an elementary school teacher in Iraq and was sent to the front under compulsion, discussed teaching in Iraqi elementary schools. He said: In Iraqi schools students are kept away from spirituality, and they are taught what is determined by the Ba'th Party. The trivial culture of the West is taught to students in Iraqi schools. Believing and committed elementary school students are under severe pressure, and they will be sent to prison for disobeying the orders of the Ba'th Party.

9310

CSO: 4640/617

IRAN

CALL FOR EXPULSION OF FOREIGN CORRESPONDENTS REPORTED

GF091455 (Clandestine) Radio Iran in Persian 1330 GMT 9 Jul 85

[Text] Mullah Mohammad Reza Ansari-Kermani, one of the extremist elements of the Islamic regime and a leader of the warmongering faction, has demanded the expulsion of all foreign correspondents from Iran. He has asked the Government of the Islamic Republic to behave like the Soviet Union and other communist countries in this dealings with foreign correspondents and stop their activities. In a statement published in Tehran, Ansari-Kermani confessed that the government bribes some foreign correspondents to dispatch reports in favor of the regime. Ansari-Kermani, who is referred to as Hojjat ol-Eslam by KEYHAN newspaper, notes in his statement: We must not open to foreign correspondents the doors of the country, airports, fronts, behind the fronts, majlis, the revolution, and counterrevolution. We should not assume that if we stop this the world will go to pot. We must cancel all their cards without fear or compromise.

In the same statement the member of the warmongering faction of the regime asks the judicial officials of the Islamic Republic to prosecute members of Nehzat-e Azadi and engineer Bezargan for opposing the war.

CSO: 4640/637

IRAN

BRIEFS

MUSAVI ANNOUNCES PAPER CLOSURE--Mir Hoseyn Musavi, the prime minister of the Khomeyni regime, announced today that the SOBH-E AZADEGAN newspaper has been closed. Even though the paper towed the Islamic Republican line, its occasional criticism of the government of Mir Hoseyn Musavi has shown that the Khomeyni regime cannot even tolerate newspapers from within the regime. Mir Hoseyn Musavi said nothing about the reason for the closure of SOBH-E AZADEGAN only saying that the government is prepared to be criticized by the press. In his press conference he also denied rumors about his trip to the Soviet Union. Referring to ties with Moscow, he said: We base our ties with the USSR on philosophical considerations and wish to have closer ties with the Soviet Union. He also noted differences with the Soviet Union over the issue of Afghanistan and criticized the departure of Soviet technicians from Iran. [Text] [(Clandestine) Free Voice of Iran in Persian 1500 GMT 8 Jul 85]

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