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REACTION TO MAY 'MINIBUDGET' MIXED, MOSTLY SKEPTICAL

Howard Attacks Problems

Sydney THE SYDNEY MORNING HERALD in English 15 May 87 p 4

[Article by Steve Burrell]

[Text]

CANBERRA: Severe structural problems in the economy must be corrected if living standards are to rise, according to the Opposition Leader, Mr Howard.

In an analysis released last night, Mr Howard says low economic growth, poor business investment, declining manufacturing output and spiralling foreign debt show that the Government's policy has failed.

It was released as part of Mr Howard's response to the Government's mini-Budget on Wednesday night, which slashed \$4 billion from the 1987-88 Budget deficit.

The document says the Hawke administration is the biggest-spending and taxing Government ever, and has presided over high interest rates, high inflation and a ballooning foreign debt.

"We have low productivity growth, a high cost structure, a massive external imbalance and a large public sector deficit," it says.

Mr Howard attacks the fall in living standards in the past two years as the trade crisis has forced high interest rates, real wage reductions and cuts in government spending to limit import growth and turn around the trade deficit.

But he does not explain how he would attack the trade problem without further reducing living standards. His promised cuts in

wages and spending would produce further falls.

The document says:

- Economic growth is set to fall below the current government estimate of 2.5 per cent in 1987-88, as a weakening world economy pushes down export prices and slows net export growth.

- The collapse of consumer spending, reflected in weak retail sales and car registrations, will continue, with high interest rates, rising average tax rates and sliding consumer confidence.

- Inflation, fuelled by the fall in the dollar, is more than four times that of our major trading partners. It doubled since the last election and is likely to stay much more than the average of industrial countries for some time. Mr Howard blames wage increases, increased government taxes and charges, higher rents in the wake of the crackdown on negative gearing and government-induced rises in health insurance costs.

- Interest rates rose to record levels in late 1985 and have stayed high, he says, because the Government was too slow to adjust wage and spending policy in response to the collapse of export prices.

- Business investment has fallen in three of the past four years and

is expected to fall even further in 1987-88 as high interest rates, wage growth and taxes on business discourage capital spending.

Mr Howard says that unless the Government makes more spending cuts to bring down rates, repeals its fringe benefits and capital gains taxes and brings nominal wage growth into line with our trading partners, the investment drought will limit improvement in the trade deficit, produce sluggish economic growth and raise unemployment.

He points to major problems in key industries:

- The collapse of the car industry, which he blames on the FBT, increased sales taxes, high interest rates and the falling dollar.

- Manufacturing industry production has fallen in three of the past four quarters to be nearly 3 per cent lower than a year earlier.

- Housing, which statistics show has declined markedly in the past year. Mr Howard says high interest rates and the negative gearing crackdown have contributed to this decline, as well as to rising rents.

Sydney THE SYDNEY MORNING HERALD in English 18 May 87 p 25

[Article in the "Monday Comment" column by Ross Gittins, economics editor:
"It's Keating the Practical Joker"]

[Text]

I hate to sound like a business spokesman — God forbid! — but the best to be said for the mini-Budget is that it's "a good first step". We'll need further cuts in the Budget or, more likely, a little "revenue enhancement", as the Treasurer has taken to calling it.

The business and money-market reaction to the mini-Budget has been remarkably complacent, with most observers accepting Paul Keating's \$4 billion of savings at face value and failing to discount for the \$1 billion of asset sales. The asset sales are little more than padding. I won't repeat the detailed argument. It's not controversial among economists, but the bottom line (yes, a pun) is that asset sales can be ignored since they don't do what we're trying to do: reduce consumption and increase savings.

When you exclude asset sales you come to a startling conclusion about the achievements of the mini-Budget. Mr Keating implied that a Budget deficit of less than \$2.8 billion was in prospect for 1987-88. Knowing Paul, you'd expect that to be on the high side. My understanding is that the actual progress count is nearer \$2.1 billion. Add \$1 billion asset sales back to that and you get \$3.1 billion, compared with the likely deficit for 1986-87 of about \$3.8 billion. That's a giant leap for mankind?

It's amazing so few people seem to have done that calculation. So far, Mr Keating's little practical joke has worked like a charm. The market has been hoist with its own ideological blinkers; bamboozled by all the essentially irrelevant talk about the international convention, micro-economic efficiency gains and out-year savings on the public debt interest bill.

Treasury is clear-eyed about it, naturally, but it's going along because it's hoping that mighty privatisations from tiny asset sales grow. (After the election, they may.) John Howard hasn't pinned the tail on the donkey, no doubt because he's hoping to be able to use the same gimmick. My guess is that most bureaucracy-trained money-market economists are awake, but can't get the message through to their troops. Their cowperson dealers would regard drawing a distinction between the funding task and the borrowing task as eggheaded hair-splitting.

(When you consider the huge injection of ex-bureaucratic talent into the financial markets in recent years, it's remarkable how little there is to show for it in terms of the market's economic sophistication. The market economists lose credibility with their dealers because of their inability to predict the unpredictable. In contrast, the newspapers' raids on the bureaucratic honeypot have led to a marked improvement in the quality of their economics. Consider the contributions of Steve Burrell, Ian Cassie and Mike Stutchbury. Now all we have to do is stop providing a home for academia's problem children.)

I suppose it's to be expected that when we have such an immature and over-reactive market we get, to match, a Treasurer who is prone to gimmickry. Since "satisfying the

market" has become the supreme test of a Budget or mini-Budget, Mr K has developed a range of stunts to do the trick.

First it was "fiscal bait-and-switch": announce a deficit (or spending cut) a lot better than the punters had been massaged to expect. And now it's "pad-the-figure" — with asset sales. Reminds me of the halcyon days of dear old Sir Rubbery Phil, with his Medibank prepayments and his off-budget shuffles.

As a practical joke, pad-the-figure has a touch of class. It relies for its success on two factors: exploiting the market's ideological blind-spot and exploiting its short memory. Who's going to remember to add \$1 billion to the official deficit figure every day for the next year? Of course, credit where it's due: Maggie T developed the technique almost eight years ago and has used it to great effect ever since to disguise the looseness of her fiscal policy. The ploy's parentage may be part of its appeal to the punters.

But as Ken Davidson observes, ultimately, the financial tail doesn't wag the dog of the real economy. The fundamentals will out. Perpetually tricking the market won't do the trick. We do have to cut consumption if we want to improve the current account deficit. Which is why, even though the word is out that the mini-Budget was the last of the hard decisions, we must pray for more spending cuts in the August Budget. Or \$500 million-worth of tax increases, which would get us only up to the 25 per cent Trilogy ceiling.

Government Seen Behind Market Response

Sydney THE AUSTRALIAN in English 18 May 87 p 11

[Commentary by David Potts: "Market Swallows Keating Bait--Hook, Line and Sinker"]

[Text]

THERE is something fishy going on. The few crumbs Mr Keating tossed to the market last week in the mini-Budget have become bait which it has swallowed hook, line and sinker. Interest rates are tumbling so fast they defy all known natural laws.

The falls are, in fact, unnatural. They are being engineered by the Reserve Bank with the blessing, if not at the behest of, the Government. Without question they were initiated by the market in the run-up to the mini-Budget, but they were signed, sealed and delivered by the Reserve Bank.

Whether the Reserve has been acting on instructions from the Government, or it genuinely thinks the mini-Budget justifies this optimism, or it just wants to lower the dollar, I do not know.

Perhaps there is another reason: it may have felt that if it didn't do anything, this would be interpreted as a slap in the face to the Government. (Imagine the headlines: "Reserve Bank stands firm" or worse still, "Reserve snubs Government".)

Its motive doesn't really matter. The point is, it has pushed the market along a path with a dubious destination. It is using the market to further either its own or the Government's ends.

The Reserve's complicity is

shown by the size of the falls since February: up to 2 percentage points in the money market. Not only was this too large for the market to handle by itself, it was on top of the growing realisation that a serious problem with wages is looming.

For falls as big as this, the Reserve must have been pumping money into the system. It appears to have done this by selling Australian dollars in the world's currency markets which, apart from keeping the dollar down, and for that matter helping its lucrative little foreign exchange trading on the side, disguises what it is up to. If the Reserve made itself too obvious, the market would become suspicious.

Even more suspicious, however, are the circumstances which have triggered this fall in interest rates. Was the mini-Budget really that good?

Don't forget, the whole point of it was to please our international creditors. These people are single-minded: they want to see the balance of payments improve and our critical level of foreign debt reduced. Their money, after all, is at stake.

Let's look at what they got. Mr Keating said next year's Budget deficit would be no more than \$2.9 billion — which is what 1 per cent of gross domestic product (GDP) works out at. But this includes \$1 billion of asset sales. These are a way of financing the deficit, but they do not reduce it in themselves. Nor, to use that awful word so beloved of governments and American efficiency experts, are they on-going.

The fact that the assets will now be owned by the private sector will not make the slightest bit of difference to the balance of payments or our level of foreign debt. Only if they were being sold to foreigners — and perhaps, come to think of it, that's what the Government intends — will they bring in foreign exchange. About the best that can be said for them is that because the market likes privatisation they might have some psychological effect in encouraging foreign investment here. This, I agree, draws a long bow.

So if you add the assets back in, you get a prospective Budget deficit of \$3.8 billion. This is exactly the same, give or take a hundred million, as this year's likely deficit. In other words, Mr Keating has told the market that next year's Budget deficit will be

the same as this year's.

Big deal. Once the penny drops, and the dollar goes with it, the market is going to wonder how this year's deficit nearly blew out to \$6 billion in a time of supposed belt-tightening. That the worst didn't happen doesn't necessarily mean the best did instead.

Although the deficit is likely to be the same as last year's, it will be smaller relative to GDP, a point Mr Keating has made much of. His 1 per cent includes the assets sales of course, but even without them he is talking about 1.3 per cent of GDP, down from this year's likely 1.5 per cent.

But if we are going to compare anything with GDP, it should be total government borrowings: States and Commonwealth. Because of the deficient information the States provide, we are now guessing. The chief economist of the Commonwealth Bank, Mr Paul McCarthy, has calculated the public sector borrowing requirement (PSBR) will drop from 4.7 to 3.4 per cent. A good fall, even though it includes the Fed's assets sales.

But percentages of GDP don't mean anything by themselves. What counts is the state of the economy. We are talking about a country with a foreign debt crisis and one of the highest current account deficits on the balance of payments in the Western world.

Despite the gargantuan Reagan deficit, the PSBR in the United States is quite modest because the States run surpluses. Unfortunately, no-one is quite sure just what the figure is, but everyone is agreed it is substantially below ours. In the United Kingdom, the PSBR (excluding assets sales) is 2.7 per cent.

Australia, with a much more

parious balance of payments, is running a much higher PSBR than is acceptable elsewhere.

Mr Keating, of course, cannot be held responsible for the States and, indeed, says he will lop \$1 billion off their borrowings. Good on him. But that doesn't mean the Reserve Bank should be easing monetary policy.

On the contrary, an easier monetary policy will fuel our other problem: an inflation rate way above everyone else who matters. With the second tier of the new wages package already out of control, easier credit will serve merely to underwrite union claims. It will also encourage the States to lift their charges instead of cutting back spending. If that happens, the PSBR will be back where it started.

So when all is said and done, nothing has happened in the past few months to warrant the market's optimism. It is a bull run based on bull, justified only because the Reserve Bank is calling the shots.

The best that can be said is that the balance of payments is improving. But not fast enough to warrant a fall of this magnitude in interest rates or to suggest we are making some inroads into the foreign debt problem.

Everything else has got worse. By its own admission, the Government's economic growth forecast has been too high and inflation forecast too low. The world's trading problems are constraining commodity prices and the outlook for interest rates in the major industrial countries apart from Japan is not bright.

But if the market and Reserve Bank want to go on their merry way, so be it. Let's enjoy it for the short time it will last.

Poll Approves Overall

Sydney THE AUSTRALIAN in English 19 May 87 p 2

[Text]

THE majority of Australians feel the mini-Budget handed down by the Federal

Treasurer, Mr Keating, last Wednesday night was tough enough, with more than 40 per cent believing they will be no worse off financially.

A majority believe the Liberal and National parties would not have delivered a better mini-Budget.

These are the findings of a Newspan conducted exclusively for *The Australian* last weekend. In line with Newspan's record, this is the first national survey to be conducted and published since the Mr Keating delivered his mini-Budget last week.

Forty-three per cent of people felt that they would be no worse off financially, with only 12 per cent believing they would be considerably or extremely worse off.

In the latest survey, more conservative voters felt they would be affected, with 21 per cent saying they would be considerably or extremely worse off, compared with only 6 per cent of ALP voters.

The majority, however, felt the conservative parties could not have delivered a better mini-Budget for the economic conditions today. Only 20 per cent thought the Liberal and National parties would have done better.

Even amongst conservative voters, only 40 per cent believed the Liberal and National parties would have done better, with 35 per cent saying the former Coalition parties would not have done better.

The mini-Budget was considered tough enough by 62 per cent of people. Only 10 per cent felt it should have been much tougher, with a further 18 per cent saying it should have been a little tougher.

Conservative voters were more inclined than ALP voters to believe the mini-Budget should have been tougher.

How do you think the mini-Budget (Budget) will affect your financial position in the next 12 months? Do you believe you personally will be ... ?

	Budget August '86 %	Mini-Budget May '87 %	—May '87— ALP voters %	Lib/Nat voters %
No worse off	24	43	48	37
A little worse off	53	37	38	38
Much worse off	16	8	5	14
Extremely worse off	4	4	1	7
Don't know	3	8	8	4

Do you believe the Liberal and National parties would have delivered a better mini-Budget (Budget) for Australia's current economic conditions?

	Budget August '86 %	Mini-Budget May '87 %	—May '87— ALP voters %	Lib/Nat voters %
Yes	28	20	7	40
No	55	58	78	35
Don't know	17	22	15	25

Do you believe the mini-Budget (Budget) overall was tough enough or do you think it should have been tougher? If tougher do you believe it should have been a little or much tougher?

	Budget August '86 %	Mini-Budget May '87 %	—May '87— ALP voters %	Lib/Nat voters %
Tough enough	54	62	71	57
A little tougher	23	18	16	23
Much tougher	17	10	6	13
Don't know	6	10	7	7

These surveys were conducted on the telephone by trained interviewers among people aged 18 years and over in all States of Australia and in both city and country areas. Telephone numbers and the person within the household were selected at random. The data has been weighted to reflect Australia's population distribution. The latest survey was conducted on the weekend of 15-17 May and is based on 1152 interviews.

Rural Benefit Losses Hit

North Richmond THE LAND in English 21 May 87 p 6

[Article by David Kelly, Louise Mills and Michael Murray]

[Text]

FARM families already hit hardest by the rural downturn stand to be hit by an "unintended consequence" of the mini-Budget handed down by the Treasurer, Paul Keating, last week.

The mini-Budget has threatened the unemployment benefit which has been available to wives of farmers on properties not producing income and which in some cases has been the only income for the family.

Under a provision included in the mini-Budget, from December unemployment benefits to recipients over 25 years of age will be subject to an assets test similar to that applying to aged pensions.

Recipients with assets of more than \$108,000 for a married home-owner will lose the benefit, which pays \$211.10 a week for a family of four.

A spokesman for the Minister for Social Security, Brian Howe, said this week that the provision was intended to "catch"

people who had never been part of the workforce, or who had effectively retired.

It was not intended to make life tougher for those in real need, including farm families. But there were some farm families receiving the dole who were "sitting on large realisable assets".

The department was now addressing provisions which came into force in July, and if it was found there would be problems with the new assets test, these would be addressed by "hardship provisions" before the measure was introduced in December.

The National Farmers Federation has asked for an urgent meeting with Mr Howe to clarify the new rules.

The federation's executive director, Andrew Robb, said the issue was causing considerable concern in some rural areas where unemployment benefits paid to farmers' wives provided the only cash flow for some families.

"For a start, there are

900 farm wives receiving unemployment benefits in the (Victorian) Mallee," he said.

The NFF call has been supported by the Womens Rural Action Committee in NSW.

Committee secretary, Susan Moloney, said there were "probably thousands in this State alone" receiving unemployment benefits.

But, she said, she had been told by a spokesman for Mr Howe that there was "not much hope" the new provision would be modified to allow farm families to continue to be helped.

The new assets test is the main NFF objection to the Government's package, in what has otherwise been a mild response.

Federation president, Ian McLachlan, described it a long overdue change in direction, but reminded the Government that "there's another \$8000 million to go" before the NFF target of \$12,000

million worth of cuts this year would be reached.

He also warned that the States would have to play their part at the Premiers Conference later this week.

"States have to cut their spending by \$1000 million, not generate additional income to cover their shortfall," he said.

The spending cuts were still a long way short of what was required, he said.

The federation's executive director Andrew Robb said early this week that the longer the NFF's staff looked at the mini-Budget papers, the smaller the cuts appeared to be.

"The size of government is the crucial thing, and it seems that real cuts through reductions in the Government are only about \$1000 million."

Of the \$4000 million cuts announced by Mr Keating, about \$1000 was attributed to a one-off sale of assets, with another \$1000 million coming from reduced State funding.

Of the remaining \$2000 million, a further \$400 million in "cuts" will come from increased revenue, and at least another \$100 million will be accounted for by minor asset sales and non-recurring savings.

This brings the level of real cuts to less than \$1500 million.

But the Government's initiative at least seems to have been what the money markets wanted, and has triggered a reduction in interest rates.

Four major trading banks and five smaller banks have cut rates during the week,

Rural Weekly: 'Limp Response'

North Richmond THE LAND in English 21 May 87 p 8

[Editorial: "Mini-Budget Aftermath"]

[Text]

It would be churlish to dismiss last week's mini-Budget as simply an election strategy aimed at duping both the finance sector and voters.

The \$4 billion in spending cuts brought by the mini-Budget represents a small but nevertheless important step towards pruning the frightening Budget deficits which have the potential — if left unchecked for too much longer — to financially ruin this country.

The Hawke Government should be congratulated for at least showing a willingness to start hauling Australia along the right track to recovery.

Unfortunately, the Government hasn't yet ventured far down that road to recovery and if the mini-Budget is a guide, it won't be in any mad rush to finish the journey to a sounder economic future.

The mini-Budget is a rather limp response by the Government to the economic crisis confronting this nation — half the \$4 billion cuts will flow from a sell-off of public assets and reductions in general purpose payments

to the States. These are "one-off" cuts which make the mini-Budget look far tougher than it really is.

Some other "cuts" in the mini-Budget look highly suspicious, particularly the almost \$200 million estimated to flow from a crackdown on dole cheats — how many times have we heard that the Federal Government is to stamp out fraud in social welfare?

But, most significantly for farmers, the mini-Budget completely failed to tackle the major problem hindering Australian industry — the almost total lack of incentive for people to "have a go" because of high taxes and charges.

The mini-Budget should have clearly signalled — with some form of tax cut such as lower fuel excise — that the Federal Government was genuinely serious about getting off the backs of people in industry, including agriculture.

But the mini-Budget will actually trigger an increase in some government charges on business — most notably Telecom and Australia Post.

NEED FOR FOREIGN AID TO PROMOTE STABILITY DISCUSSED

Hawke, Hayden Policies Lauded

Melbourne THE AGE in English 30 May 87 p 11

[Editorial: "When the Pacific Is a Misnomer"]

[Text]

WHAT may well be the most important South Pacific Forum meeting yet held has begun in Western Samoa. This is a time of turmoil in an area where stability used to be taken for granted. The coup in Fiji is simply the latest addition to a list of regional problems that include the future of Western interests after New Zealand's effective departure from Anzus; France's continuing nuclear testing at Mururoa atoll and its short-sighted attitudes to New Caledonia; growing Soviet and Libyan involvement in the neighborhood; even some residual bad behavior from the American Tunaboat Association, which seems to have little idea of how much diplomatic damage it has caused. It is appropriate, therefore, that both the Australian Prime Minister, Mr Hawke, and the Foreign Minister, Mr Hayden, are attending the forum.

Their responsibility, as Mr Hayden avers, is to avoid projecting an image "that we can pick up the small island states by the scruff of the neck and the seat of their pants, give them a good shake and point them in the right direction". Australian diplomacy clearly has to be more subtle than that if we are to stand any chance of influencing the outcome of problems that are already turning this part of the world into an arena for international mischief. Indeed, Australia's record during the 1980s is, on balance, a good one. Many of the major difficulties have been handled with considerable sensitivity for the feelings of the Pacific's emerging nations. That is why it is idle of Vanuatu's Prime Minister, Father Lini, to speak this week of "neo-colonialism perpetuated by Australia and New Zealand" being "one of the grave threats to regional stability".

Australia, it must be remembered, is a Pacific nation, too, and has every right to be involved in Pacific affairs and to have opinions on whatever developments occur. If Father Lini is pointing fingers, he would do well to point at himself for flirting over many months with the Libyan Government, one of the world's most meddlesome, irresponsible and opportunistic regimes and one that presents a genuine danger to the Pacific—an area in which Colonel Gaddafi has no legitimate interest. Mr Hawke publicly recognised the Libyan presence for what it is when he announced the closure of their diplomatic mission in

Canberra recently. Vanuatu has now decided to postpone indefinitely its consideration of Libya's application to establish a "people's bureau" in Port Vila. It is an inspired move.

No doubt there will be much discussion of the Libyan issue at the forum meeting. But the question that is certain to dominate the meeting in Apia, whatever the official agenda says, is Fiji. All the forum governments have had an opportunity to express a view on the crisis and there seems reason to believe that consensus can be achieved, at least informally, on a number of points. For Australia this weekend, the dilemma is whether to join the United States and New Zealand in suspending aid to the island. Mr Hawke indicated before his departure that aid would continue for the time being. That is as it should be. The Prime Minister has correctly pointed out that "much of Australia's aid is aid to people" rather than to governments. The one exception to this stand is that all military assistance to Fiji should cease, if it has not done so already, for reasons which should be obvious to those in Suva who place themselves above the Constitution.

Times of grave political uncertainty, such as those we face in the Pacific today, ought to be occasions for Australia and New Zealand to consider increasing development assistance to their smaller, poorer and younger neighbors. It is not easy to do this when regional difficulties coincide with the urgent need for financial restraint in Canberra. In the circumstances, therefore, Mr Hayden has done well to exclude the Pacific from aid cuts announced in the May mini-budget. However much money is available, the rapidly changing perspectives in this ocean mean that Australia will need to pay even closer attention to its political relations with the island states than it is doing already. As Mr Hayden has said, they are essentially pro-Australia and New Zealand. As he has also pointed out, Australia can advise but it cannot dictate. These are the parameters within which Australian diplomacy in the Pacific must evolve to cope with the unexpected.

Scope of Aid Detailed

Sydney THE BULLETIN in English 5 May 87 p 25

[Article by David Barnett]

[Text]

IT SEEMS farcical for a country such as Australia, with a budget deficit of \$4 billion and an overseas debt of \$105 billion, to be giving aid to other nations at the rate of \$1 billion a year. Nevertheless, Australia does. Moreover, as the visit to Australia of Soviet Foreign Minister Eduard Shevardnadze serves to remind, Australia is going to have to continue.

Shevardnadze's theme was that the Soviet Union had no bad aims and no bad intentions towards the South Pacific,

and that its interests are purely commercial. Nevertheless his visit, the first ever by a politburo member or foreign minister, was part of the drive into the Pacific where, like the Japanese, it is sending its fishing fleets.

Australia cannot and does not deny that the Soviet Union has a right to fish in international waters, nor that the island states have a right to make commercial agreements if it suits them. How-

ever, the government does have a right and a responsibility to provide Papua New Guinea and the tiny South Pacific economies with an alternative to the embrace of the Russian bear.

About one-third of Australia's aid goes to the Pacific. Projects are financed in French and US territories, as well as in the 10 independent micro-states. Some \$70 million was sliced off the 1985-86 aid budget although an additional \$16 million which was provided during the year, pushed the total back up to \$976 million. Presumably

the axe will fall again when the Expenditure Review Committee gets to the Australian Development Aid Bureau estimates which seem to have escaped the May statement but which are likely to come in for cuts in the budget.

Papua New Guinea is the largest recipient of Australian aid, taking \$328 million in the current year, compared with \$320 million for the previous year. It goes into the budget as grants in aid and it is the price Australia pays for handing over such an undeveloped, neglected country at the time of independence. Forty-five years after Australian soldiers fought along trails over the Owen Stanleys, there is still no north road out of Port Moresby.

Aid to Africa has been scaled down over the past five years and now comprises mainly food. If Foreign Minister Bill Hayden had not cancelled his February visit to east and central Africa he would have run into criticism of present aid levels and pressure to step it up. African states expect to receive — and \$1.4 million for Kenya and \$600,000 for Tanzania is not much, by their standards.

Nevertheless, Australia is an extraordinarily generous donor by international standards. In 1985 the Organisation for Economic Co-operation and Development Assistance Committee ranked Australia seventh in the world on a table calculating aid as a proportion of GNP. Norway leads with one percent, from the Netherlands, Sweden, Denmark, France and Belgium. Behind Australia on 0.49 percent come Canada, West Germany, Finland, Austria, Britain, Italy, Switzerland, Japan, New Zealand, the United States (which provides the major military guarantee for Western security) and Ireland. The DAC average is 0.35 percent. Despite this year's reduction in the aid program Australia still provides 0.39 percent of GNP in the form of aid.

A total of \$104 million is going this year in aid to South-East Asian countries whose economies are no worse off — or are somewhat better off — in terms of their currency, balance of payments and inflation problems than Australia. Although these funds, most of which are directed to specific projects, have been scaled down, Indonesia is still receiving \$47.8 million, the Philippines \$21 million, Thailand \$19 million, China \$16 million, Burma \$12.6 million, and Malaysia \$50.8 million, basically for education assistance because the Malaysian government discriminates officially against non-Moslems in

its university entrance policy. Another \$6 million goes to Laos for rural development.

There is also \$20 million for China for experts in agriculture, minerals and mineral processing and for transport.

Nobody contests that the projects are worthwhile and the Aid Bureau is arguing strongly that there is no reason for further cuts. Nevertheless, countries such as Indonesia and the Philippines have taken the reductions which have occurred so far with equanimity. What Australia can manage to give is so minor in relation to the size of their own economies, their development requirements and the volume of aid they receive from such countries as the United States and Japan, that a reduction makes comparatively little impact.

This is not the case with Papua New Guinea and the South Pacific where Australian aid is vital. Apart from aid to PNG with its population of three million, only eight percent of Australia's bilateral aid goes to the South Pacific, where the 10 island populations total about 1.5 million and range from 600,000 in Fiji to 8000 in Tuvalu and 3000 in Niue, which has an economy about the size of a shopping centre.

To these countries, Australian aid is a major economic factor. They are too small to achieve economic efficiency and sometimes cannot afford the cost of their own governments. Their single crop economies (sugar, copra) make them especially vulnerable to shifts in commodity prices.

Apart from Fiji and Nauru they are dependent on aid, specifically Australian aid, to varying degrees. Tonga and Western Samoa must remain dependent on tourism and remittances from migrant workers, while Tuvalu and Kiribati (the former Gilbert and Ellice Islands), the Cook Islands and Niue just do not have the size and the resources for any sort of development. Nauru will join the others when the superphosphate runs out.

The Australian Development Aid Bureau is in the process of redefining aid policy for the South Pacific. The new Soviet South Pacific policy suggests the \$380 million which goes to support 11 vulnerable economies is well spent, in the interests of the island states and Australia's strategic and political environment. □

SWEDEN, ADELAIDE GET SUBMARINE CONTRACT

Other Companies Benefit

Melbourne THE AGE in English 19 May 87 p 1

[Article by Russell Barton]

[Text]

Federal Cabinet yesterday accepted the Royal Australian Navy's recommendation that Kockums, a Swedish group, build six submarines at a present cost of \$3900 million.

The submarines will be built in Port Adelaide, the work creating about 600 new jobs.

The combat systems will be produced by a consortium headed by Rockwell International of the United States.

The Victorian Premier, Mr Cain, said yesterday that he was disappointed that the submarines would not be built in Victoria, but Victorian companies would share much of the associated work.

He said the state could still gain work worth up to \$1 billion for "off-site manufacturing". "Victoria's heavy engineering industry will gain an enormous boost from the supply of components. That means more jobs for Victorians."

The Premier of New South Wales, Mr Unsworth, who had lobbied hard to win the project for Newcastle, also admitted his disappointment and said the choice of Adelaide was totally inappropriate.

Other companies involved in the construction of the submarines will be CBI Australia, a local offshoot of a US company, Wormald International, an Australian company, and the Australian Industry Development Corporation, a Government authority.

This group, offering the submarine designed by IKL of Sweden, was preferred by the navy over the German HDW tender on all counts. A copy of the navy's confidential recommendation to Cabinet, obtained by 'The Age', shows that the navy suggested that several changes to the HDW type 2000 submarine would have been needed to make it acceptable.

The submission said the changes would require additional costs of \$248 million, making the German boats about \$80 million more expensive than the Swedish design.

It said the German design was "substantially inferior" and produced to lower standards than the navy could accept.

Announcing the decision yesterday, the Minister for Defence, Mr Beazley, said the submarines would be "the largest, longest ranging and most lethal conventional submarines in the Western world when they enter service in the 1990s".

He said there would be a "massive transfer" of new technology to Australian industry in areas ranging from heavy engineering to electronics.

He said Port Adelaide was chosen over Newcastle, NSW, and Geelong, Victoria, as the construction site because the project needed to be kept out of an existing shipyard environment. Industrial relations matters "figured large" in the winning consortium's choice of site.

Mr Beazley said the submarines, together with future projects for frigates, minehunters and other vessels, constituted the greatest peacetime warship building program in Australia's history, at a projected cost of \$8000 million.

The construction of the first submarine, with some of the work expected to be done in Sweden, will begin in 1989. It is scheduled to be launched in 1993-94. The other five boats will be completed at intervals of about a year.

The Opposition's defence spokesman, Mr White, said he was disappointed that Cabinet had gone ahead with the decision. The Opposition had asked for a delay so that several discrepancies between statements by the navy and claims by the German consortium could be clarified. He said he did not believe that all the performance data put forward by the German consortium had been considered.

The Victorian Government is believed to have spent more than \$2 million on its bid to have the submarine built in the state.

Victoria's Opposition spokesman on industry, commerce and technology, Mr Hayward, said Mr Cain and Mr Fordham had lost Victoria hundreds of jobs because they were afraid of antagonising the Left wing of the Labor Party, which had an "abhorrence of Australia's defence program".

Details on Design

Sydney THE AUSTRALIAN in English 19 May 87 p 4

[Article by Defence Editor Peter Young: "A Design To Take Navy Into 21st Century"]

[Text]

THE Swedish Type 471 promises to be one of the most advanced conventional submarines ever built and has a service life of well into the next century.

The boat is a development of the A7 Class being built for the Swedish navy, which will undergo sea trials this year.

It complies with the stated requirements of the Royal Australian Navy and has been accepted only after the strictest evaluation of the contracted performance submitted by the Australian Submarine Corporation (ASC), which acts as the local agent for the Swedish company Kockums.

The 2400-tonne displacement boat will be constructed around a modular system. It is designed for silence — a submarine's most effective defence and an absolute necessity for the advanced sonar systems incorporated in the Rockwell Combat system it will carry.

The low noise and high-shock endurance are both achieved by the use of advanced design and building techniques.

All of the promised high-technology developments have been proved in existing boats previously built by Kockums. These include hull shape and surface treatment, the shape and size of the single propeller, and the sound and shock-isolated mounting of all internal fittings.

The main propulsion will be a French-supplied Schneider water-cooled, turbo-charged power plant.

Endurance

Provision also exists for the fitting of an air-independent propulsion system, either during construction or at a later refit, depending on the navy's needs.

The Stirling air-independent power system has already been fitted to a modern Swedish submarine for operational trials and offers the promise of a seven-fold increase in submerged endurance with a matching reduction in the risk of detection.

Compared with the Oberon, the new submarine will have significantly greater underwater endurance and speed, diving depth and manoeuvrability.

The new submarine offers computer-assisted control, a sophisticated combat system and low acoustic and magnetic "signatures".

Its patrol endurance of 70 days and range of more than 9000 nautical miles is similar to that of the Oberons.

The submarines will be crewed by a team of 41 compared with the 63 needed for the Oberons. The reduction is a result of the ship-management system that provides computer-based control and monitoring through multi-function consoles.

The Type 471 is about 70m long and more than 7m in diameter.

The fin or conning tower is situated slightly forward of amidships and contains search-and-attack periscopes, masts covering electronic support, communications, and air-intake and exhaust facilities.

A Swedish-developed micro-alloy steel will be used for the hull, while internal desks and equipment are all elastically mounted to meet high shock and low noise requirements.

The combat system is computer controlled and uses a high-speed optical fibre, which reduces electromagnetic interference and overall weight.

It features the fibre-optic positive weapons system incorporated in the British navy's Type 2400 vessel, which will be fully compatible with the Mark 48 torpedo.

Success

At an estimated cost of \$4.3

billion, the submarine will be the biggest local defence contract ever undertaken in Australia. It will make new demands on the management and industrial capability of those concerns that will be chosen to take part in the Australian Industrial Involvement offer (AII).

About 200 Australian companies have responded to the ASC's original invitation to tender as subcontractors or suppliers, and, at almost 70 per cent, the promised level of Australian industrial involvement is substantially higher than expected.

Over the past two years, ASC has identified management control as the key to the project's success — designing a management information system to link design offices, subcontractors, suppliers and managers.

Kockums will import new technologies that span the entire industry of submarine construction. These range from heavy engineering and microelectronics to steel-making and instrumentation.

ASC is a majority Australian-owned company that combines experience, resources and the capital strength of four internationally recognised companies.

Three of the partners are overseas naval contractors. These are Kockums, which has been designing and building submarines for the Swedish navy since 1915.

The United States company CBI Constructions, whose US-based parent company has built hull sections for the Polaris, Los Angeles and Trident nuclear submarines, and Wormald, the Australian-owned multinational, which has wide experience in sea-going fire protection.

The fourth partner is the Australian Industry Development Corporation (AIDC), the national development bank.

AQUINO PRESSED TO ISSUE EXECUTIVE ORDERS

HK120311 Hong Kong AFP in English 0243 GMT 12 Jun 87

[By Mynardo Macaraig]

[Text] Manila, June 12 (AFP)--With six weeks to go before she loses her law-making powers, Philippine President Corazon Aquino is pressed to issue new decrees and repeal old ones issued by her deposed predecessor Ferdinand Marcos.

A total of 187 executive orders on matters ranging from rebellion to reorganizing the Girl Scouts became law in her 16 months in power, a strange twist for a nation which had recently toppled its leader for monopolizing power.

A popular columnist here has predicted that Mrs. Aquino would go on an "orgy of decree-writing" before the convening of the newly-elected Congress automatically strips her of her lawmaking powers on July 27.

She has committed herself to signing three further major executive orders: one mandating land reform to cure long-festered social ills, another approving an investment code for economic reconstruction and a third creating a "citizens' army" to defeat the raging communist insurgency.

When she took power in a popular uprising that toppled Mr. Marcos last year, Mrs. Aquino dissolved a Marcos-dominated national assembly and exercised lawmaking powers similar to those of the man she unseated.

Mr. Marcos, during the latter 13 years of his rule, had also wielded controversial executive and legislative powers even above those of the elected legislature he created in 1978.

By the time he was driven from power, he had issued over 2,000 "presidential decrees," some of which civil rights lawyers claim had never been made public.

For a nation that has been traumatized by the Marcos "dictatorship," there is curiously little criticism of Mrs. Aquino's exercise of such vast prerogatives.

On the contrary, the weight of the criticism has been that she does not issue enough orders or that she delays in issuing crucial ones, observers say.

Among the major laws issued by Mrs. Aquino are those forming a presidential commission to sequester allegedly illegally acquired properties of Mr. Marcos and his allies, reorganizing the judiciary, and absorbing several agencies into the office of the president.

Numerous proposals for executive orders from government agencies and private groups swamp the palace where they are reviewed by Mrs. Aquino's executive secretary Joker Arroyo.

From these, about two or three of the orders go to Mrs. Aquino's desk daily for her consideration, palace officials say.

Many critics are urging that Mrs. Aquino issue the more important orders, especially the land reform decree before July 27, for fear the orders will become bogged down in congressional debate or watered-down by vested interests within the landowner-dominated legislature.

All executive orders already issued by the president can be repealed by the legislature.

Samilo Borlongay of the palace legal staff admits that the term "presidential decree" "is really more appropriate," for a law issued by the president but says that he believes Mrs. Aquino purposely chose to avoid the term due to its association with Mr. Marcos.

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CSO: 2400/648

PAPER HEARTENED ON PRESIDENTIAL MANAGEMENT BODY

HK031445 Manila MANILA CHRONICLE in English 3 Jun 87 p 4

[Editorial: "The Presidential Management Staff"]

[Text] The information that Malacanang has a body called the Presidential Management Staff (PMS) that monitors the progress of presidential policies, programs, and commitments is heartening.

According to our information, the PMS is essentially a support unit on policy issues of the Office of the President. The Executive indeed requires such a staff for a more organized and systematic and enlightened formulation and implementation of policy.

The existence of such a body should also ensure greater independence in the formulation of policies. For while it may be necessary to consult certain sectors and individuals tactfully on policies and decisions, based on the expertise and wisdom of those entities, the Executive will have to make decisions and policies by itself in the long run.

Another significant information we received about the PMS is that it has come up with a report on "The Status as of March 1987 of Campaign Promises and Post-Campaign Promises Made by the President."

We understand further that in the same report initiatives have been acknowledged as "started" in the direction of fulfilling those campaign and post-campaign promises.

At the same time, the PMS report takes note of the significant issues which the president directly addressed during the campaigns for the snap elections and after. These issues, it need not be stressed, are vital to the democratic thrust of the Aquino government. Indeed, the fact that the president, on her own initiative, had tried to address those issues may have something to do with her current popularity with the Filipino masses.

Some of those issues relate to agrarian reform and the repeal of repressive laws. The mere mention of these in the PMS report should serve to remind the president that there are still important tasks for her to do which cannot be relegated to Congress.

The executive should have, as it were, its own mirror to look into. Since the present executive does not seem to have the vanity of the past dictator, the mirror need not be the flatterer in the fairy tale; rather, it should be able to give her the true image of her government.

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CSO: 4200/648

MIXED REACTIONS ON PRESIDENTIAL KINS IN CONGRESS

HK041215 Manila MANILA BULLETIN in English 4 Jun 87 pp 1, 12

[Article by Nick T. Enciso]

[Text] There is mixed reaction to the election of presidential relatives in the new Congress.

Critics of the government regard it with disdain, but most other people seem to approve.

The close relatives of President Aquino who were proclaimed by the Commission on Elections (Comelec) as members of the House of Representatives are Jose "Peping" Cojuangco, Tarlac, the President's brother; Francisco "Komong" Sumulong, Rizal, an uncle; Tessie Aquino Oreta, Malabon-Navotas, a sister-in-law; Herminio Aquino, Tarlac, her husband's uncle; and Egmidio "Ding" Tanjuatco, Rizal, a cousin.

As relatives of President Aquino in Congress, they are under observation by critics who claimed that any short-comings they will commit as legislators will be a negative factor to Malacanang.

They are where they are because they were the choices of the voters in their own constituencies. They were elected, not appointed, other observers said.

Among these relatives are veteran legislators who have already proven that they can stand on their own. They are Cojuangco, Sumulong, and Tanjuatco. They were in politics long before Mrs Aquino became President. Expected to show their mettle are neophytes Oreta and Herminio Aquino.

While the President refused to lift a finger in their own, two or three other congressional candidates, who are also presidential relatives lost.

A political scientist from the University of the Philippines justified the open and official participation of presidential relatives in Congress as beneficial to the country and the leadership of President Aquino.

The close relatives of the President are subject to public censorship and suits before the Tanodbayan or other courts.

Cojuangco said he wants to participate actively in the deliberation of laws and policies in Congress.

He added that when his sister Cory sought the presidency in the Feb. 7, 1986 "snap" polls, all members of the Cojuangco family helped her face the risks.

They did it, he said, not for family glory, but to realize the dream of the late former Senator Benigno "Ninoy" Aquino Jr.--to restore freedom to the people.

However, critics of the administration assail the presence of many relatives of the President in government claiming that there is a virtual nepotism in the bureaucracy. The critics refuse to admit that as elected officials, the President's relatives are not under her control.

Opposition leaders said they are watching Mrs Aquino's relatives "very closely."

But other observers said the President's relatives in Congress will serve as "bridges" between the legislative and the executive branches of the government, leading to the success of the Aquino government.

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CSO: 4200/648

CONGRESSMAN-ELECT CLAVER OPPOSES CORDILLERA PLEBISCITE

HK081347 Manila PHILIPPINE DAILY INQUIRER in English 8 Jun 87 p 9

[Article by Roy S. de Guzman]

[Text] A newly-elected congressman is leading what appears to be an increasing resistance to the creation of an interim body that will oversee the affairs of five Northern Luzon provinces for the next two years.

Congressman-elect William Claver (Iloilo district, Kalinga-Apayao) said that while he is for the grant of autonomy to the region, he is against the holding of a plebiscite next month. He said President Aquino, whom he met Thursday night, asked him to submit his comment on the matter.

The government and cordillera leaders, headed by former priest Conrado Balweg, are expected to sign an agreement creating the Interim Cordillera Regional Administration (ICRA) on Tuesday.

The agreement calls for President Aquino to sign into law an executive order defining the powers and functions of the ICRA, which will supervise affairs of the provinces of Abra, Benguet, Kalinga-Apayao, Ifugao, Mountain Province and the city of Baguio.

A plebiscite to determine the areas to be placed under ICRA will be held next month.

"Autonomy is so identified with Balweg that I fear the people, who are turned off by him, will vote against it in the coming plebiscite," Claver said.

Claver, one of the early proponents of autonomy for the Cordillera, supported initial government negotiations with Balweg's group but backed out from the talks after alleging that Balweg does not represent the people of the Cordillera and speaks only for [remainder of sentence missing].

Claver explained that anti-Balweg sentiments in the area and the haphazard way by which the plebiscite will be held may lead to the rejection of the autonomy proposal for the region.

Efforts by the INQUIRER to get Balweg's side proved futile.

Claver said he would only agree to the setting up of the interim body if it would have no governmental powers and will be purely an administrative one.

Claver instead battled for the enactment of the Cordillera autonomy law in Congress, and vowed to introduce a bill for an autonomous Cordillera region.

He said he had earlier told the President that an executive order sho would shortly sign into law may go against the new Constitution.

A separate group of pro-autonomy advocates, which claims a total membership of close to one million, had earlier expressed opposition to the Balweg-government talks.

The Cordillera People's Alliance [CPA], the INQUIRER learned, is planning moves to counter the planned signing of the presidential edict.

The government also faces armed opposition from the Cordillera People's Democratic Front (CPDF), a communist-dominated regional army engaged in a war with the military in the Cordilleras. Observers said that while the government ensured a halt to hostilities with the Balweg-led Cordillera People's Liberation Army (CPLA), it is doubtful if peace will reign in the region.

The CPDF has vowed to step up attacks against military targets, and it is highly doubtful whether Balweg's men can considerably help government soldiers in containing the insurgents' threat.

It was not immediately known if the opposition to the plebiscite has affected the president's decision to issue the decree. But sources in the government panel have reiterated the administration's desire to go side-by-side with the Cordillera groups in campaigning for autonomy. Among the main features of the two panels' agreement, which the President will incorporate in her decree, are:

--The ICRA will function as the body exercising general supervision, in behalf of the President, over the local government units in the region;

--The ICRA will have authority over the region's administrative system; economic, social and cultural development; agricultural, commercial and industrial development; urban and rural development; educational system; health, sports, welfare and social services; development of indigenous laws and political institutions, traditions, languages and customs; strengthening of the bodong (peace-pact) system of tribal unity; protection of the cultural identity and values of ethno-linguistic groups; promotion of social justice and perservation of human rights; and other matters relegated by the President.

--The ICRA will have an executive body, headed by an appointee of the President from among its 25 members--the governors of the five provinces, the

Baguio City mayor, six representatives from the Cordillera Bodong Administration, 10 representatives from the different ethnolinguistic groups, and three members of non-governmental associations.

--The ICRA will have a legislative assembly composed of not more than 200 representatives of tribes in the area and of communities which are non-tribal and migrant in nature.

--The terms of office of the ICRA officers shall be coterminous with ICRA's existence, or until Congress finishes the organic act on autonomy.

--The budget of ICRA will be determined by the President.

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CSO: 4200/648

MITRA DENIES ELECTION BRIBERY CHARGES

HK031617 Manila MANILA BULLETIN in English 3 Jun 87 pp 1, 10

[Text] Palawan Congressman-elect Ramon V. Mitra of the Lakas ng Bayan (Laban) [People Power] described yesterday the P15,000 election bribery complaint filed against him before the Commission on Elections (Comelec) as "the handiwork of a born loser."

Teodoro Pena, former minister of natural resources, had accused Mitra of trying to bribe lawyer Elvira Bermejo, Palawan Comelec supervisor.

Mitra said Pena's complaint suffered a serious flaw in failing to show specifically that he (Mitra) gave or even offered the sum to Bermejo.

To prove bribery, Pena should have shown specifically that "I offered or gave money to Elvira and asked her to do something in consideration of the bribery," Mitra said.

As chairman of the board of canvassers, Bermejo, "In fact, proclaimed my victory and declared the elections in Palawan clean, honest, and orderly," Mitra said.

"It is pitiable that Teddy (Pena) has not learned how to behave in defeat, even after losing four times," said Mitra, who is mentioned as a contender for speakership of the House of Representatives.

Asked if he would file counter-charges against Pena, Mitra said: "What could be a graver punishment for Pena than to be rejected four times by the people of Palawan?"

Bermejo proclaimed Mitra after the canvassing which showed him beating Pena by 17,109 votes.

In supporting his complaint, Pena gave the Comelec a letter purportedly handwritten by Bermejo returning to Mitra P15,000 in repayment of an equivalent sum handed to her by Pogie Rodriguez who Pena had identified as Mitra's political leader.

This was in the form of manager's check No G406-1544 dated March 23, 1976, issued to Mitra through Eliseo R. Suarilla, branch manager, of the PCIB Palawan branch.

Mitra said he "never gave nor offered money to anybody."

What Pena said, Mitra explained, was that "I was given money which allegedly came from one of my supporters--and I have thousands of supporters."

He said Rodriguez "is neither my campaign manager nor my political leader."

Mitra also denied having authorized the release of 140 prisoners from the provincial jail in Puerto Princesa City.

He said "They are detainees, and I mean they are awaiting trial and have not been convinced by a court of law and, therefore, are entitled to vote."

"I don't think anybody will give any credence to a defeated candidate who does not know how to lose," the Laban leader said.

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CSO: 4200/648

RAMOS REASSIGNS GENERAL WHO URGED ELECTION PROBE

HK100757 Hong Kong AFP in English 0744 GMT 10 Jun 87

[Text] Manila, June 10 (AFP)--Armed Forces Chief Fidel Ramos Wednesday reassigned an outspoken regional paramilitary constabulary commander who had called for a probe into alleged election fraud in President Corazon Aquino's bailiwick.

General Ramos and the controversial officer, Brigadier General Eugenio Ocampo, denied that politics was behind his transfer from Central Luzon.

Brig. Gen. Ocampo had openly clashed with Central Luzon politicians close to Mrs Aquino after he called for an investigation into possible anomalies in the counting of votes there after the May 11 congressional election.

In a bitter and colorful word war carried prominently in the local press, he also accused the politicians of links with communists, but the latter charged him with incompetence and demanded his removal.

Brig. Gen. Ocampo said in an interview with state-run television Wednesday that Gen. Ramos announced that "the removal of officers is basically on two principles--exigency of the service and the evaluation of the performance of the subject officer."

"Political intervention has nothing to do with it," Brig. Gen. Ocampo said.

"I have faith in the chief of staff. I have served him for six years," the general said. "I know how he thinks. He is a very fair man."

A spokesman for Gen. Ramos also denied that the transfer was due to political pressure.

Brig. Gen. Ocampo was moved to Southern Luzon in a shakeup that affected three regions all seriously affected by communist insurgency. It was the first reshuffle of military commands under the 16-month-old Aquino government.

The constabulary performs both police and security functions.

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CSO: 4200/648

PHILIPPINES

LABAN AGREES TO FORM 12 SENATE COMMITTEES

HK041225 Manila PHILIPPINE DAILY INQUIRER in English 4 Jun 87 pp 1, 3

[Article by Marlen Ronquillo]

[Excerpt] While protests continued to delay the Commission on Elections' official proclamation of winners in the May 11 polls, the Lakas ng Bansa is wasting no time mapping out its strategy in the Senate.

Yesterday, the coalition agreed to create 12 major committees which would absorb the bulk of the legislative work in the Senate, party sources said.

These are the committees on ways and means, appropriations, foreign affairs, defense, finance, trade and industry; agriculture, natural resources and agrarian reform; labor, justice, education, local government, rules or steering; and blue ribbon.

Minor regular and temporary committees which would take care of special concerns of the Senate will also be created, the sources told the INQUIRER.

The 12 committees cover the gamut of the government's legislative priorities, the sources said.

The sources also said the party expects the committees on finance, trade and industry; agriculture, natural resources and land reform; foreign affairs, defense, and blue ribbon to be extra busy in the first few months of Congress.

The preliminary talks on the renegotiation of the RP [Republic of the Philippines]-US Military Bases Agreement next year will pass on "a great deal of work" to the Foreign Affairs Committee.

The Defense Committee will help shape policies on the anti-insurgency program in coordination with the executive branch.

The committee on finance, and trade and industry will help formulate policies to hasten the country's economic recovery, the central platform of the coalition during the election campaign.

The committee on agriculture and natural resources, and agrarian reform will initiate the complementary measures to the executive order on land reform which President Aquino is expected to issue before Congress convenes on July 27.

The blue ribbon committee will investigate charges of top-level corruption in government.

But this seeming unity of purpose among the coalition's members may yet be shattered by the fight for the top posts of the powerful committees, the sources said.

For instance, the sources said, the chairmanship of the foreign affairs committee may be bitterly contested by former Foreign Secretary Raul Manglapus and Ms Leticia Ramos Shahani, who was deputy foreign secretary before she entered politics.

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CSO: 4200/648

PHILIPPINES

NPA STEP UP ATTACKS FOLLOWING ELECTIONS

HK041259 Quezon City BUSINESS DAY in English 4 Jun 87 p 20

[Text] An estimated 50 members of the New People's Army (NPA), all allegedly wearing fatigue uniforms and riding four civilian vehicles, reportedly attacked the minicipal building in Laur, Neuva Ecija last Monday, killing one policeman in a brief firefight, a belated report reaching Camp Aguinaldo said yesterday.

Armed Forces spokesman, Col Honesto Isleta, told defense newsmen later that the fatigue-clad NPA band drove in front of the Laur municipal hall aboard three passenger jeepneys and an Isuzu pick-up truck, at about 6:00 p.m.

The rebels reportedly sprayed the municipal hall facade with automatic fire and lobbed several grenades at the building.

Quoting military reports from Fort Magasaysay in Neuva Ecija, Isleta said policemen holed up in the building's second floor returned fire, repulsing the attacking rebels, but lost one of their comrades.

Elements of the 177th PC [Philippine Constabulary] company are reportedly still conducting pursuit operations against the attackers who had fled in a northern direction.

It was the third serious attack by NPA forces on government and private installations this week, according to Isleta, who just this weekend, predicted that the Communist Party of the Philippines (CPP) and its military arm, the NPA, will intensify armed operations now that the legislative polls are over.

Last Monday morning, an estimated 1,000 NPA guerrillas reportedly swooped down on Rizal town, Tuguegarao, Cagayna, killing three people and holding hostage all the male residents of at least four barangays.

They also reportedly burned five vehicles as well as the house of former mayor Raul de la Cruz, and subsequently planted land mines on all roads and bridges leading to the town, making it difficult for reinforcing 111th PC company to send reinforcements.

As of presstime, reports reaching Camp Crame said the rebels, who had split into groups of 40, had gone their different ways, with some still in Rizal town while others reportedly withdrawing toward Dinuntungan Valley in Sto. Nino, Cagayan.

On the same day, reports reaching Camp Aguinaldo said a battalion of army soldiers attempting to rescue three persons taken hostage by a band of rebels, engaged a large NPA blocking force on a mountainous area of Ilocos Norte.

The soldiers from the 50th infantry battalion, backed by helicopter gunships and commando vehicles, were said to have caught up with the fleeing remnants of the 350-man insurgent band just after it had raided and robbed a Japanese construction firm and abducted an executive and two soldiers.

No casualties on both sides were reported as of yesterday, although fighting is said to be still going on.

The raid on the Japanese company, Kumagai Gumi, in the town of Espiritu, Ilocos Norte, prompted AFP [Armed Forces of the Philippines] chief of staff, Gen. Fidel V. Ramos, to direct Northern Luzon Command (Nolcom) chief, Brig. Gen. Felix Brawner, to intensify pursuit operations against the rebels who also reportedly carted off about P500,000 in payroll cash and several electronic and communications equipment.

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CSO: 4200/648

PHILIPPINES

OFFICER ASSAILS AFP'S LEADERSHIP FAILURES

HK041158 Manila THE MANILA TIMES in English 4 Jun 87 pp 1, 6

[Article by Manny Martinez and Cynthia Sycip]

[Text] Camp Olivas, Pampanga--A junior officer said yesterday continuing rumors of coup attempts were indicative of a leadership vacuum within the armed forces "which cannot be solved by cocktail parties alone."

The officer, who asked not to be identified, said Gen Fidel V. Ramos, armed forces chief of staff, had failed to solve the problems of the military and could not relate with young officers.

"He chooses the wrong mediators who are not respected, as in the case of the GMA coup try last February 7," he said.

The officer was referring to Maj Efren Arayata, whom he called "the self-proclaimed national commander of the Guardians."

In spite of Ramos' order dismantling all fraternities, including the Reform the Armed Forces Movement [RAM] and the Guardians, the latter still continues to exist because Ramos asked them to just change its constitution and bylaws, he said.

He pointed out that the Guardians are at present rocked with a leadership problem because of its "parochial setup." He said RAM had no similar problem because its structural organization was not rigid and it remained an idealistic fraternity.

He added: "RAM has been subjected to a lot of pressure for the last five years, even during the time of Marcos. Instead of being dissolved, it has expanded in various forms. It does not even have a name now, it is simply a growing spirit that cannot be disbanded."

The officer said the structure of the military organization was the same as that which existed during the Marcos years when the chief of staff held too much power, shunting aside the service commanders.

"Structurally, the chief of staff today is the same as Gen Fabian Ver," he said, adding that the only way to attain changes in the military organization is to retire all overstaying generals, including Ramos.

He said the functions of the service commanders had been absorbed by Ramos. "In this situation, it will be difficult for the military to fight on two fronts, in case the MNLF problem breaks out," he said.

The officer also questioned why only 60,000 out of the 200,000 officers and men of the Armed Forces are actually in the field. "Where are the other 40,000?" he asked.

He said the failure in leadership within the armed forces was reflected by the fact that this was the 33rd weekend in which it had been placed on red alert, or a period of more than eight months.

Reports that former members of the security and intelligence group of former Defense Chief Juan Ponce Enrile are involved in another coup plot "have been cooked up by a disoriented structure at general headquarters, supported by irresponsible media," he said. He said it was only a disinformation campaign launched by groups in search of a whipping boy.

He said Col Gringo Honasan, alleged chairman of the Guardians Foundation, was no longer connected with it. Even before, Honasan was simply the head of a non-profit organization which used to oversee its fundraising efforts for widows and orphans, he said.

"There is nothing sinister about the Guardians, and there is no possibility for the so-called Marcos loyalist forces and the Enrile boys to arrive at any agreement," he said, contradicting reports that they had banded together to mount another coup.

He pointed out that when Ninoy Aquino was assassinated in 1983, Ver released to the media a story on "El Diablo," or "an army within an army" supposedly composed of about 30,000 men, to divert the people's attention from the Aquino murder.

"This is the same tactic being used by the present military leadership," he said, pointing out that El Diablo was only a fellowship organization which was to be known later as the Guardians.

He added: "The RAM initiated the EDSA [Epifanio de Los Santos Avenue] revolution because we wanted good government from which we can have a good armed forces. These we still do not have now, rendering the efforts of the RAM members valueless."

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CSO: 4200/648

GOVERNMENT LABOR UNIONS START TO REGISTER

HK041207 Manila MANILA BULLETIN in English 4 Jun 87 pp 1, 12

[Article by E. T. Suarez]

[Text] The Department of Labor and Employment (DOLE) started receiving applications yesterday for the organization of labor unions in government offices following a Malacanang announcement that government employees may now form unions.

Acting Labor Secretary Ricardo Castro said the applications are being received and processed by the Bureau of Labor Relations (BLR) headed by Director Pura F. Calleja.

The BLR will recommend approval or disapproval of the applications, Castro said.

Castro said eight applications for union registration have been filed with the BLR, including one from the labor department's National Capital Region (NCR) Employees Association.

The others were from Philippine Export Zone Employees Association, Alert and Concerned Employees for Better SSS Movement, Philippine National Bank, Philippine Union of Revenue Examiners, Isabela Employees Union of the Department of Agriculture & Office of the Provincial Agriculturist, Mechanical Department Labor Union of the Philippine National Railways and Central Bank Labor Union.

Calleja said her office will process the applications for registration and she will recommend approval or disapproval of these applications.

She said the secretary of labor and the chairman of the Civil Service Commission will be the ones to give the final approval of the registration of these unions.

President Aquino issued Executive Order No 180 last June 1 giving all government employees the right to form unions and labor-management committees, work councils, and other forms of workers' participation schemes.

The order said, however, that high-level employees whose functions are normally considered as policy making or managerial or whose duties are highly confidential shall not be eligible to join the organizations of rank-and-file government employees.

The order does not also apply to the members of the Armed Forces of the Philippines, including police officers, policemen, firemen, and jail guards.

In case there are two or more duly registered employees organizations, the BLR shall order the conduct of a certification election and certify the winner.

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CSO: 4200/648

MNLF FIGHTER REPORTS PRESENCE OF LIBYAN 'ADVISER'

HK060318 Hong Kong HONG KONG STANDARD (SATURDAY EXTRA SUPPLEMENT) 6 Jun 87
pp 1, 3

[Article by Manila correspondent Louise Williams]

[Excerpts] On a lonely, tropical island on the edge of the South China Sea, a Libyan-trained commander and his men are milling around on a coral covered beach, waiting impatiently for war.

A Libyan "brother" has come to guide them from their jungle camp somewhere near Malaysia, where the Moslems of the Malay race live under the Filipino flag--daily cleaning their guns in preparation for what many consider an inevitable Jihad, or "Holy War."

Commander Talil "Congo of the Jungle" and his men are expecting an extra shipment of Russian-made AK-17's to reach their distant shores and are awaiting the "go-ahead" from their chairman. Nur Misuari, said to be plotting the final liberation of the predominantly Moslem Moro people from a "hideaway" on the mainland, two hours by outrigger to the north.

"Congo of the Jungle", a man of 40 years, two wives and 12 children, said his men were getting frustrated and were asking to fight. Young Moro men who idolise the British Tsas, swelter in the crisp, new uniforms of their foreign donors and lug their abundant modern weapons around the isolated coastal villages, day after day.

"We are really ready for war, any time," Congo said.

"If (President) Aquino doesn't come through with her promises she will be able to taste it, she will be able to feel it."

By noon Congo's men are listless, it is well into the fasting month of Ramadan and they have been spitting since sunrise to avoid swallowing their own saliva.

Reliable reports had reached the mainland of the arrival of a Libyan adviser. Congo's Libyan-trained officer, Major Ishmael Basa, said he could talk about his own 16 months "abroad" but could not talk about foreign visitors. Congo said he would.

Oh yes a Libyan adviser was up in the mountains giving the men tactical advice, on subjects like making bullets and landmines. But we couldn't go and meet him. It was the fasting month so it was too far for the Moro army to walk and the logging truck was stuck around the bend with the three flat tyres.

Congo reminded us that the national leaders of the MNLF had themselves only recently returned from last month's world "revolutionaries" conference in Libya, where they had exchanged ideas with the communist guerrillas of their own country, the Palestine Liberation Organisation, the Iranian Revolutionary Front and the Sandinistas, just to name a few.

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CSO: 4200/648

PDP-LABAN PLANS BREAKAWAY FROM RULING COALITION

HK031612 Manila THE PHILIPPINE STAR in English 2 Jun 87 pp 1, 8

[Article by Alden L. Alag and Socorro M. Salcedo]

[Text] The Partido Demokrata ng Pilipinas-Lakas ng Bayan [PDPD-LABAN--Philippine Democratic Party-People's Power] announced yesterday its break-away from the ruling coalition but pledged to support the legislative program of President Aquino in the new Congress.

Winning senatorial bet Aquilino Pimentel Jr., former PDP-LABAN president, hinted also that the party itself may be heading for a split between traditional and progressive party members.

Pimentel stressed that PDPD-LABAN will definitely put up its own candidates in the forthcoming local elections.

He also deplored the "shabby treatment" of PDP-LABAN congressional candidates in the recent polls, several of whom lost their bids. The party romped off, however, with about 56 congressional seats out of the 200.

"The 400,000 PDP-LABAN members, I believed, will take care of their party mates who will run in November," Pimentel added.

Apparently, the principal cause of a possible intra-party split may be the silence by PDP-LABAN president, Congressman-elect Jose Cojuangco, on the speakership bid by Tarlac's Congressmen-elect Jose Yap and Palawan's Ramon Mitra. Yap, however, said 45 PDP-LABAN solons have pledged to him their support.

Pimentel yesterday also urged the 47 congressmen-elect from Mindanao at a meeting at the Army and Navy Club to band themselves as one and work together for the region.

The Mindanao Congressmen's Conference acting Chairman Rodrigo Gutang, congressman-elect of North Cotabato's first district, said the Mindanao solons crossed party and religious lines to form a solid bloc for the country's second largest island.

Meanwhile, Local Government Secretary Jaime Ferrer yesterday welcomed the possibility of a suit to determine the constitutionality of his appointing congressional candidates to elective posts for one year after the election, Ferrer said: "I'd like that to be tested."

Ferrer recently reappointed Antonio Navas OIC [Officer-in-charge] of Alicia, Isabela, and named former MP Rogelio Garcia as OIC of Gen. Santos City. Both lost their congressional bids.

Ferrer also asked President Aquino to order the transfer of Maguindanao's capital to Sultan Kudarat from Maganoy for the security of government personnel.

Maguindanao Gov. Zacaria Candao adverted to the inability by the military and Magamoy authorities to adequately protect government property and personnel following a series of attacks by terrorists.

Candao also said Maganoy lacks essential facilities such as water, housing, and communications. The Maganoy capitol building was burned down by rebels last January 13.

Ferrer noted that the President can still issue an executive order for the capital's transfer before Congress convenes in July.

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CSO: 4200/648

PHILIPPINES

MANILA ARCHBISHOP NOTES POLITICAL IMMATURITY

OW050513 Tokyo KYODO in English 0455 GMT 5 Jun 87

[Text] Manila, June 5 KYODO--Manila Archbishop Cardinal Jaime Sin, the spiritual leader of this predominantly Catholic nation, Friday attacked Satanists and a newly-introduced instant lottery.

Sin also said he had to speak out on political matters because of his people's immaturity.

The 58-year-old prelate also opposed right-wing anticommunist vigilante groups saying these will lead to a new form of warlordism but added that "moral theology" allows people to defend themselves against rebel atrocities.

"I said many times that I will keep quiet. But it is impossible if our people are immature," Sin said during his monthly breakfast forum with reporters.

"I have to say something or else my children will fall down. But the moment they know how to stand and to walk, I will keep quiet even though my character is talkative," he said.

He said that priests and nuns, who spearheaded the struggle against the dictatorship of ousted President Ferdinand Marcos, are "gradually" withdrawing to the background and "avoiding the limelight."

Sin, a sharp critic of Marcos' one-man rule, rallied people to support soldiers who rebelled against the former ruler in the February 1986 revolt that swept President Corazon Aquino to power.

Sin told the reporters that partisan politics is the concern of the laity and his role is "only to give the moral guidelines to our people concerning this activity."

"Our duty and our job is to be able to interfere in the political exercise when it comes to moral issues, telling the people to make the elections clean, honest and fair and so on," Sin said.

Sin denied right-wing opposition charges that he allegedly endorsed Aquino's handpicked senatorial candidates in the May 11 polls. He said that what he endorsed was the selection process for the people's choice for the Senate.

He said he was happy that the "heat and passion" of the elections have subsided and urged winners and losers to "return to the task at hand."

Sin said he does not favor legislation by the new Congress on the crucial agrarian reform program because "it will take ages" but urged that talks with landlords be initiated before Aquino issues a decree.

He said the government and the church should unite against a growing Satanist movement "because it will destroy the youth."

Manila newspapers have reported on the Satanist cults spreading in schools preaching "good is evil and evil is good."

"We are shepherds, we are pastors and we are duty-bound to protect the people from this malignant cancer," he said.

"Satanism exists in this country. Where? I do not know," said Sin, adding that the Catholic Church's committee on visions and extraordinary phenomenon is investigating the cult.

He said that because of the promise of quick money, the "instant sweepstakes," introduced by an American lottery firm, will be "addictive" and could "corrupt the morals of the citizenry."

"It is deplorable considering that this government is supposed to be advocating a new morality," Sin said. He said that it should be abolished along with the casinos.

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CSO: 4200/648

SABAH'S FILIPINO REFUGEES POSE BIG ECONOMIC PROBLEM

HK101411 Manila PHILIPPINE DAILY INQUIRER in English 10 Jun 87 pp 1,10

[Article by Chay Florentino]

[Text] The possible repatriation of close to 200,000 Filipino refugees in Sabah will pose serious economic problems to the Philippine Government.

Foreign Affairs Undersecretary Jose Ingles yesterday said the government will have to find jobs for all the refugees who will be dislocated from Sabah, should the Malaysian Government order their repatriation.

The United Nations High Commissioner for Refugees (UNHCR) in that Malaysian territory is reportedly "winding up" its activities this month. The UNHCR is funding the upkeep of the 190,000 Filipino refugees who are kept in one compound similar to the Vietnamese refugee center in Bataan.

This development may mean the "definite end of the funding," Ingles said, adding that the Malaysian Government may either agree to shoulder the full expenses for the refugees or demand their repatriation. So far, he said, no official communication about such an intention has been received by the Philippines.

"They (Malaysian Government) have no obligation to support the Filipino refugees," Ingles said, adding that should the Malaysian Government so decide, the Philippines will have to take all of them in.

A decision on the refugees is crucial especially at this point when war between the Moro National Liberation Front and the government is feared to break out anytime with the recent collapse of peace negotiations.

Sources said the Filipino refugees in Sabah, who were confirmed by Ingles to be engaged in "gainful occupation", may not welcome the idea of returning to the country now.

The additional [number indistinct] or so "illegal refugees" are not yet being considered part of the refugee problem by the Philippine Government, which, however, will have to confront sooner or later. Ingles said these Filipino Muslims illegally entered Sabah to look for jobs and have since then opted to stay there.

Their continued stay has been another source of friction between the Philippines and Malaysia.

Meanwhile, the barter trade in the south, which reportedly reaches a P200-million a week volume, will continue to be tolerated by the Philippine Government. Ingles said the trading which is tax-free cannot be suppressed because the estimated 40,000 people engaged in it "would be up in arms."

The Muslim traders have claimed that they have engaged in barter trade "since time immemorial" and as such, consider it a right.

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CSO: 4200/648

MILITARY PURSUES REBEL KIDNAP GROUP IN ILOCOS

HK081113 Manila Radio Veritas in Tagalog 1000 GMT 8 Jun 87

[Text] The military continues to pursue a rebel group who captured a constabulary chief in Ilocos Sur. Bert de la Rosa gives the details:

[Begin recording] Based on the report received by PC-INP chief [Philippine Constabulary-integrated National Police] Major General Renato S. de Villa from Recom [Regional Command] 1 Commander Brigadier General Jesus de la Cruz, the kidnapped official is Captain Silverio Abon, commanding officer of the 148 PC company, and civilian guard Nemencio (Calibag), and the slain policeman is identified as Patrolman (Jose Dianatay). According to the report, government troops were headed for Barangay (Kidit-kidit, Sinait), Ilocos Sur because they received a report saying a group of New People's Army had been sighted. When government troops arrived at the scene, they were fired upon by the rebels who had been waiting for them. In the exchange of gunshots [words indistinct] and six of the rebels were killed. As of now the names of the victims are still unidentified. When news of the incident reached Colonel Enrique Cuadra, Ilocos Sur provincial commander, he immediately sent reinforcements in helicopters. But the rebels had already escaped towards Barangay (Balabuntukin), Ilocos Norte with their captives. It was also reported that the rebels took with them two M-15 rifles, one 45 caliber pistol, and two [word indistinct] radios. According to those who survived the attack, both captives were wounded. As a consequence of this incident, Cuadra called for an emergency meeting with the military and police, including the residents of (Sitio Caset) and the nearby Barangays of (Sinait) town. [End recording]

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CSO: 4200/648

MILITARY TIGHTENS SECURITY IN MINDANAO

HK031427 Manila THE MANILA CHRONICLE in English 3 Jun 87 pp 1, 8

[Text] The military has tightened its security in at least five airports and seaports in central and northern Mindanao following reports that Muslim secessionist rebels will stage terrorist attacks in key cities in the region.

Col. Raul Aquino, 2nd Army brigade commander, said they have received reports that Muslim terrorists would hijack Philippine Airlines planes in Iligan, Cagayan de Oro, and Malabang Airport in Lanao del Sur.

He said the terrorists would also try to seize inter-island vessels in Cagayan de Oro and Cotabato. Security forces have been beefed up in these installations and night patrols were intensified in the three cities.

"The Army is now concentrating in the uplands pursuing communist and Muslim rebel bands while the PC [Philippine Constabulary] patrols the main thoroughfares in the lowlands," Aquino said.

Navy and Coast Guard ships also patrol coastal areas in the region, he added.

He said CHDF [Civilian Home Defense Force] members are being ordered to monitor movements of armed groups in these areas.

The military has remained on full alert in Mindanao and Sulu following the outbreak of hostilities a week ago between government troops and Muslim rebels in Davao del Norte and the special elections in 38 towns in Sulu last Saturday.

In Zamboanga City, Southern Command officials said the situation is normal and very peaceful.

Aquino, however, warned that Muslim attacks would increase after the Davao del Norte clashes and holy month of Ramadan.

Several violent incidents have been blamed on the MNLF and other Muslim factions since two months ago--the burning of schoolbuildings in Lanao del Sur and the Malabang airport, and the kidnapping of civilians in Marawi and Iligan.

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CSO: 4200/648

PHILIPPINES

COLUMN CLAIMS FORMATION OF NEW MILITARY FACTION

HK030709 Manila THE PHILIPPINE STAR WEEK in English 31 May-6 Jun 87 pp 4, 5

[From "Straight From the Shoulder" column by Luis D. Beltran: "Land Reform Is Serious Business"]

[Text] And speaking of that military establishment, the problem of factionalism continues to rear its head in the Armed Forces, and one large faction has targeted Defense Minister Rafael Ilete as an easier (?) target for removal--easier it seems than AFP [Armed Forces of the Philippines] Chief of Staff General Fidel Ramos.

The New Reform Group, as it calls itself, has increased substantially in numbers--one leader claims they have 1,000 members in just the Philippine Navy--although the central leadership seems to be in--of all places!--Camp Crame.

The new reformists are a semi-clandestine group but may shortly surface as an organization duly registered with the Securities and Exchange Commission, sort of like the first union ever established in the Armed Forces.

Under the New Constitution, of course, the soldier is allowed to establish unions--when Congress spells out the guidelines for such activities.

In the meantime, all the reformists can do is militarily belly-ache about how choice provincial assignments are being cornered by Ramos Loyalists--such as those in the provinces around Metro-Manila, in Bulacan, Nueva Ecija, Pangasinan and even choice staff assignments in the AFP headquarters.

The reformists claim the AFP will only "normalize" when all "extendees" are retired, including General Ramos.

The country may not be able to handle a "normal" military, after having lived with an "abnormal" one for twenty-one years.

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CSO: 4200/648

PHILIPPINES

MILITARY FOSTERS RELIGIOUS PROGRAMS FOR TROOPS

HK040225 Manila Far East Broadcasting Company in English 2300 GMT 3 Jun 87

[Text] The military is launching prayer meetings and Bible studies among units of their 250,000 troops all over the country to strengthen moral values among soldiers and to unite the AFP [Armed Forces of the Philippines]. Chief of Staff General Fidel Ramos is completely supporting the religious program. He said the prayer meetings and Bible studies are needed to develop the spiritual and moral aspects of the military service. The program is intended to strengthen moral values among soldiers, strike down attitudes that degrade the human soul and violate the human being. In emphasizing the importance of the program, Gen Ramos said it is important that Armed Forces personnel are imbued with a strong sense of purpose and an enduring sense of values and rectitude; otherwise the Armed Forces degenerates into an organization that victimizes, rather than protects, the people and retrogresses to a protector of the powerful and the rich rather than of all the people.

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CSO: 4200/648

PHILIPPINES

NPA VOWS TO GO AFTER CORDILLERA'S BALWEG ARMY

HK041219 Manila PHILIPPINE DAILY INQUIRER in English 4 Jun 87 p 3

[Text] Communist rebels operating in the rugged hills of Northern Luzon yesterday vowed to "fight to the last man" a band of armed fighters led by ex-priest Conrado Balweg which they accused of aiding the military in anti-insurgency operations.

The rebels also disclosed that they have arrested an Army lieutenant and the police station commander of Dumalneg, Ilocos Norte, and are keeping the two as "prisoners of war."

The New People's Army in Cagayan said in a three-page statement furnished the INQUIRER that the Cordillera People's Liberation Army (CPLA) headed by Balweg have been helping soldiers go after communist rebels.

The NPA command in the area said three CPLA members--Ka [comrade] Wanwan, Ka Moro and Ka Sulong--were positively identified by residents of Paco Valley as having acted as guides to the military men conducting a sweeping operation in the known NPA bailiwick. Last May 17, the rebels further alleged, the soldiers executed 17 Isnogs whom they suspected to be NPA supporters.

Two platoons of CPLA members were also trained, according to the NPA, by the military to conduct patrolling operations in the towns of Corner, Bakud, Pudtol and Flora, all regarded as insurgent bastions.

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CSO: 4200/648

PC COLONEL AQUINALDO SACKED FOR ALLEGED POLL 'TERRORISM'

HK081319 Manila PHILIPPINE DAILY INQUIRER in English 8 Jun 87 pp 1, 10

[Text] The Commission on Elections [Comelec] yesterday relieved the Constabulary commander of Cagayan Province for allegedly using his men to work for opposition candidates in the May 11 polls.

The poll body is still investigating charges of election irregularities in Pampanga and an accusation that the Central Luzon Constabulary commander had also openly supported a candidate identified with deposed President Marcos.

Commissioner Haydee Yorac said the order relieving Lt. Col. Reynaldo Aquinaldo was actually issued May 29 in the wake of complaints filed with the poll body by Cagayan Gov. Teresa Dupaya and other local officials.

It was not explained why the order was not immediately implemented.

Aquinaldo was said to have supported Juan Ponce Enrile, who was sacked as defense minister by President Aquino following the involvement of some of his RAM [Reform the Armed Forces Movement] boys in an abortive coup attempt last November.

Officials in Tuguegarao, the provincial capital, accused Aquinaldo of openly supporting candidates of Enrile's Grand Alliance for Democracy [GAD] despite orders from the military high command for soldiers to stay neutral in the elections.

Yorac said she has no other details of the Comelec resolution, which needed the votes of four of the commissioners before it was adopted as an order to the military.

Reports had quoted unidentified local officials as saying Aguinaldo used soldiers, police and militiamen in "instituting widespread terrorism, blatant frauds, including vote-buying even inside polling places, tampering with ballot boxes, threats and intimidation of leaders opposed to his candidates."

Aguinaldo and the military spokesman could not be reached for comment.

In another development, the Comelec is still investigating charges of Brig. Gen. Eugenio Ocampo, PC [Philippine Constabulary] chief of Central Luzon, that frauds were committed in the President Aquino's bailiwick during the last elections.

Ocampo claimed the irregularities ranged from the intentionally delayed delivery of tally sheets to the expulsion of poll watchers during the counting.

Ocampo has also accused two governors and one representative election in the region of having links with the outlawed Communist Party of the Philippines--a charge rebutted by those concerned with a countercharge that the military officer had supported the candidacy of Estelito Mendoza, Marcos' former justice minister, solicitor general and Pampanga governor.

Last Saturday, the poll body proclaimed the 20 leading candidates elected to the 24-member Senate. All the winners, except movie actor Joseph Estrada, are from the administration-backed Lakas ng Bayan [Laban--People's Power].

As of that day, too, Enrile and three Lakas [Lakas ng Bansa--Power of the Nation] candidates occupied the last four slots. The counting resumes today.

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CSO: 4200/648

MALAYA CALLS FOR FIRM HAND TO DEAL WITH VIOLENCE

HK101311 Quezon City MALAYA in English 10 Jun 87 p 4

[Editorial: "Needed: A Firm Hand"]

[Text] There is a sense of growing fear, both numbing and paralyzing, that is slowly creeping into the metropolis, hounding the ordinary people, the decision makers, the politicians and, most of all, the men of the law as they go about running their daily lives.

It is fear borne out of a sense of a burgeoning lawlessness in the country's economic, political and business hub. The senseless murders of nine police officers in Metro Manila in a span of five days have shocked us out of our complacency and shattered the equanimity of our lives.

If our lawmen cannot protect themselves from marauding hit squads, whether they be revolutionaries out to create terror and chaos or plain robbers driven to crime by penury and necessity--a question nags us no end: Who will protect us ordinary people?

The most shocking news of all is that even lawmen who patrol our streets and man checkpoints to stem the rising tide of Metro violence are themselves accompanied by marksmen in civilian clothes, serving as their bodyguards.

Certainly, the reality of violence, bloodbath and murder have intruded into the privacy of our homes. The snapshots of men in grotesque and mangled shapes as death overtook them have burned themselves indelibly into our national psyche. The images would not go away.

The assassination attempt Monday night on Bernabe Buscayno, that former NPA commander who has finally renounced the revolutionary's life and embraced peace by rejoining society's mainstream, has left us more numb with fear and with ever growing anxieties.

After Buscayno, who is next? The possibilities are quite chilling. The list of targets is inexhaustible. It could be a charismatic political leader, or a general who has made enemies among revolutionaries and his own military officers and men or it could be your next-door neighbor, the man with whom you share your beer and whiskey, caught in this shadowy, formless conflict called guerrilla warfare.

There is need to restore the people's equanimity and peace of mind, before the violence and the wave of killings get any worse. The government must take a firm hand in stanching this hemorrhage, and release our people from the grips of fear, so as to erase public doubts about its ability to protect the civilians from those who have made murder and violence a way of life.

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CSO: 4200/648

PHILIPPINES

COLUMNIST ON STREET VIOLENCE FROM LEFT, RIGHT

HK091303 Manila THE MANILA CHRONICLE in English 9 Jun 87 p 4

["In Touch" column by Paulynn Sicam: "Humanizing a Death Squad"]

[Text] This column is long overdue.

Last April, after the New People's Army's city partisans held a press conference in Metro Manila, I wanted to ventilate some questions I have got to ask about the Sparrows.

At that time, I just wished the killings would stop. For some reason, they did and I felt relieved I no longer had to write about the Sparrows. In the past few days, however, seven lawmen have been gunned down in spectacular street violence in what police suspect to be a new spate of operations by the New People's Army. It is time to break my silence.

Two leaders of the Alex Bongcayao Brigade, the NPA group operating in Metro Manila, met the press last April to decry the police operations in the city's slums against suspected Sparrows, among other things. Some people had been unjustly killed. Others had been arrested, tortured and detained, they said. These police operations, however, were only meant to "create panic and alarm" and justify further militarization and the formation of armed rightwing death squads in the city.

Smugly, they noted that in spite of extensive police operations against them, not one member of the dreaded Sparrows had been apprehended or killed by the police.

The press [word indistinct] was also an occasion for the NPA to claim the murders of 18 persons in Metro Manila since Jan. 1 for alleged "blood debts" to the people.

Primarily, however, the affair seemed to have been organized to give the deadly and faceless Sparrows a "human face" through casual shop talk about recruitment, training and actual operations. Humanizing a death squad is a difficult task, the two Sparrow leaders found out.

The Sparrow, or armed city partisan (ACP), they said, is trained to shoot his victim twice--first in the chest, then in the head, "just to be sure." For this, he or she undergoes a one-week to one-month intensive training in the city, or a two- to six-month "exposure" tour in the countryside.

The Sparrow has no physical or mental defects. Among his attributes is the ability to disappear into a crowd. He is probably a daily wage earner or student, or a professional who has dropped out of society to live and work in the underground. According to the leaders, he is chosen from among the "politically active, honest and sincere elements" of the organized masses.

Decisions on who are to be liquidated are made by the ACP district leaders "upon recommendation of the masses." But, they assured, not without prior thorough investigation and intelligence work.

In the process, ordinary folk like jeepney and tricycle drivers, sidewalk venders, are consulted on the human rights record of the intended victim. Once guilt is established, the order for execution is handed down and Sparrows in groups of two or three set out to perform their tasks.

No written warnings are made, they stressed, to avoid opening the system to abuse by unscrupulous elements.

Their city operations, the ACP leaders said, are mainly "punitive or retributive" and "highly selective." They are aimed against military, police and paramilitary forces. Careful preparations are made so executions will be clean and innocent bystanders will not be jeopardized. Even their "agau- armas" [arms grabbing] activities, they explained, are meant to be crisp operations, with no harm intended to those being disarmed.

Such assurances gave me little consolation. Was I supposed to feel safe because I was not a soldier or a cop? Was I to believe that those who have not abused their fellowmen need not worry? What about the effect of these killings on our lives? The Sparrows' attempt at public relations gave me more questions than answers.

What about the alarm and panic their very casual assassinations could cause to city people? How different would that be from the alarm and panic caused by police operations against suspected Sparrows?

Wouldn't that kind of vigilantism--even if it was the so-called "pro-people" variety--beget responses from the Right which would ultimately be more frightening because these people are less disciplined? Wouldn't Sparrow operations precisely encourage the militarism from the Right that the Left so abhors?

And when all hell breaks loose as a result of violence and counterviolence, what would happen to the people in whose name both the Left and Right dispense their justice?

While it is not easy to close one's eyes to the abuses of persons in uniform, it is difficult to romanticize the shadowy Sparrow. For while their swift violent response to injustice may be cathartic especially for those who are wronged, civilized people know there must be a better way to solve an argument, a better way to right a wrong.

The violence in the streets of Manila from both the Left and the Right will not solve the city's problems. Much less will it dismantle an unjust structure. The way the guardians of the masses are carrying on, here comes another question--what guarantees are there that should the communist insurgents win in the end, the dreaded Sparrows will not simply replace one unjust structure with another?

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CSO: 4200/648

MALAYSIA FOREIGN MINISTER COMMENTS ON MUSLIM REBELLION

HK041235 Hong Kong AFP in English 1141 GMT 4 Jun 87

[Text] Manila, June 4 (AFP)--Malaysia understands the Philippines' proposed solution to the Moslem rebellion in the southern Philippines, visiting Malaysian Foreign Minister Datu Abu Hassan Bin Omar said here Thursday.

Mr. Abu Hassan told reporters after meeting President Corazon Aquino that Malaysia was "very well aware" of the problem regarding the Moro National Liberation Front (MNLF) insurrection in the Southern Philippines.

Manila has offered autonomy to the Moslem minority through an act of Congress to be ratified by a plebiscite, but the MNLF wants Mrs. Aquino to grant autonomy through a presidential decree.

Mr. Abu Hassan said he and Mrs. Aquino did not discuss Manila's long-standing claim to the Malaysian state of Sabah, which observers said has strained bilateral ties.

Sabah has been used as a sanctuary by MNLF guerrillas and up to 200,000 refugees of the 15-year-old war in Mindanao and neighbouring southern Philippine Islands.

The minister, who arrived here Wednesday, said Malaysian Prime Minister Mahathir Mohammad was "very keen on coming here" in December to attend the third summit meeting of the Association of Southeast Asian Nations (ASEAN), which also includes Brunei, Indonesia, Singapore and Thailand.

Mrs. Aquino's press secretary, Teodoro Benigno, told reporters she "expressed the hope of narrowing down (the Philippines') trade balance with Malaysia, which overall is now very much in favor of Malaysia."

Bilateral trade last year was 313.9 million dollars in Kuala Lumpur's favour, mainly due to Philippines oil imports.

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CSO: 4200/648

PHILIPPINES

ALLEGED MNLF HARDLINER IDENTIFIED

HK041231 Manila PHILIPPINE DAILY INQUIRER in English 4 Jun 87 p 4

[From the "Between the Deadlines" column by the INQUIRER reportorial staff:
"House 'Komong' Bet"]

[Text] A top leader of the Moro National Liberation Front, who has not been heard from since he joined the Muslim rebel army in waging a war of liberation in the South, is considered the hardliner in MNLF ranks.

The man is Ali Melham, better known in MNLF circles as Commander Melham, who holds the rank of chief of staff of the Bangsamoro Armed Forces.

Melham is only second in rank to Nur Misuari, chairman of the MNLF, as far as the movement's military affairs is concerned.

Commander Melham did not surface during the entire eight months of peace negotiations with the government, and no newsman has ever interviewed him.

He holds fort in one of Mindanao's many islands, in a location the military has already pinpointed but have never penetrated. Melham stays put there.

An MNLF commander narrates that the military once tried to barge through Melham's fortress but was greeted with bursts of automatic gunfire, mortar bombardment and grenade explosions. They never tried to go after him again.

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CSO: 4200/648

PHILIPPINES

STUDENTS TO RALLY OVER MEDICAL QUALIFYING TESTS

HK050357 Quezon City Sports Radio 738 in English 0200 GMT 5 Jun 87

[Text] Some 10,000 students in Metro Manila are scheduled to march to Malacanang this weekend. The students will ask President Aquino to order the department of education to withdraw the implementation of the national medical admissions test. They claim the test poses a barrier to the growth and development of medical education. Details from Tony Valencia:

[Begin recording] In a petition sent to the president earlier, the protesting students claim that this new policy is irrelevant, prejudicial and oppressive to both [word indistinct] and the students. They appealed to the president to declare a moratorium on its implementation to give more students a chance to enroll in the medical [word indistinct] this year. On the other hand some medical authorities admitted that [words indistinct] is a deterrent to the growth of medical education as some schools will be forced to close down for lack of substantial enrollment this school year. Some students even claim that the test is unconstitutional as it curtails the students' academic freedom by imposing so many restrictions. They said the intended purpose of the national qualifying test is good but the end result is not because of the oppressive and repressive elements in its implementation. With only a week away before classes open on June 15, only the big medical schools in Metro Manila have achieved a full quota enrollment. [end recording]

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CSO: 4200/648

CREDITOR BANK PANEL STUDIES COMPROMISE BID

HK051217 Quezon City BUSINESS DAY in English 5 Jun 87 p 2

[Article by reporter Claro P. Fernandez]

[Text] Head of the 12-member advisory committee for the country's foreign bank creditors, Manufacturers Hanover Trust Co. (Mantrust) has studied the compromise proposal of the government to lower the interest rate on re-scheduled debts to equal that of Argentina and is discussing it with other committee members, Finance Secretary Jaime V. Ongpin told BUSINESS DAY yesterday.

The government will know more about the reactions of the foreign commercial creditors as soon as government representatives meet them early next week, Ongpin said.

Ongpin and other officials of the Department of Finance and the Central Bank are scheduled to leave for New York this weekend.

Mantrust officials have discussed the compromise proposal fully, and are soliciting the reactions of other members of the advisory committee, Ongpin said.

Ongpin, the country's top negotiator during the latest debt talks in New York last March, said he would discuss the compromise proposal with the committee chairman. It is also expected that Ongpin will consult with the country's legal counsel on debt restructuring negotiations.

Central Bank sources said revisions in the Philippine Investment Notes (PINS) program would also be tackled in talks between Ongpin and Mantrust officials.

Ongpin earlier said a revised term sheet for the PINS programs had been sent to the chair of the committee. He said the new PINS program would include changes recommended by six US-based investments banks which during the March talks had expressed interest in underwriting PINS.

The government gave no explanation why the PINS program had to be revised, but it was apparent that placement agents found the PINS to be unattractive under the old scheme.

Some of the investment banks interested in underwriting the freely transferable foreign currency-denominated instruments include Salomon Brothers, Inc., Merrill Lynch International Bank, Allep and Col, Drexel Burnham Lambert, Inc., and Sherson Leahman Brothers, Inc.

Sources said the government would await the outcome of the meeting of Ongpin and the committee leadership to decide whether to move for a renegotiation of the March debt restructuring accord or to revise the proposal.

The Philippines obtained a restructuring of \$10.3 billion of its \$28.2 billion external debt at a spread of 7/8 percent over the London interbank offered rate (Libor) last March 27 after four weeks on the negotiating table.

An initial demand for a smaller spread came last April after the advisory committee of Argentina, substantially the same banks as in the committee for the Philippines, granted a 13/16 percent spread over Libor, identical to the "aberrational rate" that Mexico previously obtained.

Government spread the word that it would call for a renegotiation of the deal it obtained if the banks would not lower the spread of 13/16 percent over Libor. It contended that it was a matter of "principle," not the \$4.5-million annual or \$79-million 17-year savings, that forced the country to call the attention of the international banking community.

If the Philippines had obtained the terms given to Argentina, it would be paying only \$10.83 billion over the agreement's 17-year tenor on its loans of \$9.4 billion at the current spread price of only 7/8 percent.

The sources said government representatives would discuss the country's recently forged agreement with its legal counsel to facilitate the agreement's formal signing expected by the end of this month.

A June 30 target date has been established so the agreement can be implemented by July 1, Ongpin said.

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CSO: 4200/648

PUBLIC SECTOR SHARE OF FOREIGN DEBT INCREASES

HK060917 Manila THE MANILA CHRONICLE in English 6 Jun 87 p 23

[Text] The series of debt restructurings undertaken by the Philippines during the last three years had drastically altered the composition of the country's foreign exchange liabilities to the point that the public sector, composed of the national government, its owned or controlled corporations and the Central Bank [CB], now accounts for 75 percent, or \$21.23 billion, of total external indebtedness.

This contrasts with the 61 percent share of the public sector of the country's total debt on Oct. 17, 1983 when the Philippines jolted the international financial community by declaring for the first time a moratorium on debt payments.

Data obtained from the CB showed that the Philippines increased its foreign debt from \$24.281 billion on Oct. 17, 1983 to \$28.256 billion as of Dec. 31, 1986, reflecting an increase of almost \$4 billion over the three-year period.

Central Bank sources said that the increase in the share of the public sector and the corresponding decrease in the share of the private sector of the total foreign liabilities were due to the debt restructuring which called for the assumption by the public sector of a significant portion of private sector debt.

During the same period, the share of the private sector to total debt declined from 38 percent in 1983 to 25 percent at the end of 1986.

As of Dec. 31, 1986, the private sector's external liabilities amounted to \$6.933 billion. This consisted of \$1.87 billion owned by private commercial banks (monetary debt) and \$5.06 billion owed by the private corporate sector.

The data also indicated that in absolute amounts, the external liabilities of the private sector went down by \$2.3 billion in the last three years from \$9.2 billion on Oct. 17, 1983 to \$6.9 billion at the end of 1986.

Under the restructuring agreements which the government signed with the country's more than 480 creditor banks, a big portion of foreign debt held by the private banks and private corporations had been assumed by the Central Bank.

Due to foreign exchange constraints during the first three years of the payment moratorium, private firms were required to pay the Central Bank in pesos for the maturing amortizations and interest on the foreign debt. In turn, the CB assumed the external liabilities corresponding to the amounts paid in pesos.

Moreover, government financial institutions, notably the Philippine National Bank and the Development Bank of the Philippines had to assume guaranteed foreign debts of private firms which were unable to make payments to their foreign creditors.

This in turn increased the foreign indebtedness of these government financial institutions and correspondingly reduced the indebtedness of the private sector.

As the implementor of the debt restructuring program, the foreign liabilities of the CB increased from \$13.75 billion on Oct. 17, 1983 to \$17.1 billion at the end of 1987, increasing its share to total foreign debt from 15 percent to 25 percent.

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CSO: 4200/648

WORLD BANK RECOMMENDS FINANCIAL SYSTEM REFORMS

HK070909 Quezon City MALAYA in English 7 Jun 87 p 6

[Text] The World Bank has recommended further reforms in the financial system to ensure the availability of long-term financing which is likely to be squeezed by the restructuring of government financial institutions and by the ongoing privatization of public assets.

The reforms include the adoption of a well-designed credit guarantee scheme for small and medium-scale industries, reduction of the banks' high intermediation cost, and strengthening of the Central Bank's control and supervision of the financial system.

Monetary authorities should also strengthen the institutional mechanism of assisting domestic firms hobbled by the 1983 economic crisis and are in need of financial rehabilitation, according to a draft World Bank report on "Issues and Policies in the Industrial Sector."

These recommendations were based upon the findings that the rehabilitation of the Development Bank of the Philippines [DBP] and the Philippine National Bank [PNB] "has sharply reduced a major source of funding to the industry."

Public institutions comprise about 45 per cent of the country's total credit, but given the limits placed on the operations of DBP, PNB and other GFIS, the report said the burden of meeting new credit needs fall into private banks. Most banks, however, are still reluctant to lend because of the perceived economic uncertainties and the absence of prime borrowers.

Moreover, the sale of the government's non-performing assets through the asset disposition trust is "likely to increase substantially the demand for industrial finance," the report said.

Most of these NPAS [non-performing assets] have to be nursed back to health through additional capital infusion such that the "lack of credit may constrain successful privatization while rapid privatization is likely to crowd out the remainder of the private industrial sector and new credit," the report pointed out.

A comprehensive assessment of the capacity of the financial sector to meet industrial credit should also be done, taking into consideration the needs for restructuring and financing [word indistinct] sales and the reduced operation of the GFIS.

PHILIPPINES

IMF REQUESTS REPORT ON 1ST QUARTER LOAN NEEDS

HK041305 Quezon City BUSINESS DAY in English 4 Jun 87 p 2

[Text] The International Monetary Fund (IMF) has requested the Philippine Government to submit its first quarter report on the public sector borrowing requirement (PSBR). This is the remaining condition before the IMF allows the release of the \$45-million fourth credit slice or tranche under the country's 1986-1988 standby credit arrangement with the Central Bank's bankers.

Government has sent its advanced estimates on the PSBR for the first quarter of this year but the IMF is asking for a more "indicative" performance report before June 20, 1987, government sources said yesterday.

The standby arrangement includes drawings to be made by the Philippine Government from the IMF's standby credit facility amounting to \$238 million and an additional \$270 million or 224 million in special drawing rights (SDRS) to be drawn from the compensatory financing facility (CFF). The facility is used to temporarily cover up shortfalls in the balance of payments.

Government has reported all of the other performance reports to the multi-lateral financing institution including the net international reserves-money aggregates (NIR-MA), the level of base money and a report on the country's external debt.

The PSBR, an indicator of all debts incurred by government and its agencies and holdings, is expected to fall within the ceiling set by government which is contained in the letter of intent of the nation to the IMF, sources said.

The government, in a supplementary memorandum outlining the country's intended economic policies for the rest of the year, informed the IMF that the PSBR for the whole of 1987 has been planned not to exceed P23.9 billion, and P6.8 billion for the quarter of the year.

Sources at the Central Bank yesterday said the national government has come up with its scoresheet on the PSBR indicating that government has borrowed some P7 billion for the first three months of the year.

While the actual amount reported by the national government, specifically the Treasury Bureau, is above the limit imposed by government, offsetting factors would decrease the amount as soon as government-owned and -controlled corporations (GOCCS) turn in their reports.

PHILIPPINES

21 PERCENT INCREASE IN MARCH TOURIST ARRIVALS REPORTED

HK051221 Quezon City BUSINESS DAY in English 5 Jun 87 p 3

[Text] Tourist arrivals in March were up 20.68 percent at 65,643 from 54,393 during the same period last year, the Department of Tourism (DOT) said.

DOT undersecretary for marketing and promoting Walfrido A. Reyes said the increase was due mainly to the sales blitzes in different countries conducted by the DOT and Philippine Airlines.

Taiwan topped the increase in rate in arrivals, to 3,385 from 1,110, or by 204.96 percent.

Second was Thailand with 1,591 arrivals against 554 in 1986, up 187.19 percent.

The United States continued to contribute the biggest number of arrivals with 16,958, up from 15,540 in 1986.

Japan, a major travel market, accounted for 9,199 for 4.92 percent increase over 8,768. This indicated a gradual return of Japanese confidence in the Philippines as a travel destination, after a slight setback in preceding months due to adverse publicity arising from the Wakaoji kidnapping case.

The ASEAN travel market increased by 89.53 percent, from 2,616 in 1986 to 4,958.

From Hong Kong came 6,238, up 24.17 percent over 4,935.

Western Europe contributed 8,934 in March, representing 13.61 percent of total tourist arrivals. Spain and Italy made significant increases, from 87 and 255 arrivals last year to 157 and 429, up 80.46 percent and 68.24 percent, respectively.

Australians declined 12.81 percent from 3,496 to 3,048. Arrivals from France also dropped, by 8.78 percent from 547 to 499.

The DOT and Filipino organizations based in Japan will hold a series of promotional activities June 6-14 to enhance the Philippine image there.

This was contained in a report by Japan tourism attache John Orola to Tourism Secretary Jose Antonio U. Gonzalez which also stated that the activities would foster friendship and mutual understanding between Filipinos and Japanese, which had been adversely affected by the recent kidnapping in Manila.

The tourism campaign, to be undertaken in cooperation with the Philippine Airlines, will be supported by the Filipino community and sympathetic friends in the Japanese travel trade sector.

The different trade and consumer activities will be staged in Tokyo, Gifu, and Sapporo.

A festival slated in Gifu on June 6 will feature a tourism and trade fair, a symposium on RP [Republic of the Philippines]-Japan relations, and a "Philippine night" organized in cooperation with the Gifu-Philippine Association and the print and broadcast media in the Chubu area.

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CSO: 4200/648

PHILIPPINES

JAN-APR IMPORTS UP 30.46 PERCENT

HK031621 Manila MANILA BULLETIN in English 3 Jun 87 p 21

[Article by Oscar M. Gallamos]

[Text] The country's imports increased by 30.46 percent during the first four months of this year to \$1,585.39 million from \$1,215.26 million during the same period last year, Central Bank [CB] data showed.

Non-oil imports rose by \$298.98 million, or 32.98 percent, to \$1,205.48 million from \$906.5 million in 1986.

Oil imports posted a corresponding increase to \$379.91 million, up by 23.04 percent from \$306.76 million during the same four-month period last year.

Cumulative imports through letters of credit, documents against acceptances and open accounts by commodity group indicated that raw materials and intermediate goods composed mainly of chemicals, paper, textile and iron and steel manufactures accounted for \$718.02 million.

Mineral fuels and lubricants, including coal, were imported at the cost of \$399.11 million. Crude petroleum alone reported import expenditures to \$379.91 million, an increase by \$71.15 million from last year's \$308.76 million.

Consumer goods consisting of food and food preparations and beverage and tobacco were worth \$200.23 million.

The CB report also showed that imports for the period April 23 to 30 alone amounted to \$137.45 million.

Caltex Philippines imported \$27.1 million crude oil while state-owned Philippine National Oil Co. bought crude oil worth \$12.06 million. Sequestered Fortune Tobacco Corp., the country's largest cigarette maker, purchased American burley tobacco for \$2.27 million and aluminum cigarette foil for \$0.58 million.

La Suede Cigar and Cigarette Factory, manufacturer of Philip Morris and Marlboro, had to buy burley tobacco for \$1.48 million and unmanufactured tobacco for \$1.06 million.

Food and beverage giant San Miguel Corp. imported soy-bean meal amount to \$0.85 million while subsidiaries Paper Industries Corp. of the Philippines (PICOP) and Nestle Philippine imported unbleached [word indistinct] pulp (\$0.60 million) and non-fat dry milk (\$0.55 million), respectively.

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CSO: 4200/648

COCONUT AUTHORITY FIGHTS U.S. SOYBEAN CAMPAIGN

HK040220 Manila MANILA BULLETIN in English 3 Jun 87 p 21

[Article by Michael Alunan]

[Text] The Philippine Coconut Authority (PCA) is now flexing its muscle for a "trade war" likely to erupt soon with American soybean producers who are actively campaigning to restrict the entry of coconut and palm oils into the U.S.

PCA Chairman Jose V. Romero Jr., expressing fears that the country may lose the U.S. market for its coco oil exports, declared that the Philippines has no other choice but to launch counter-measures against the American Soybean Association (ASA).

A major counter-measure, he said, is to mobilize the Asian and Pacific Coconut Community (APCC) against the American soybean oil producers.

Presently, the PCA contributes \$90,000 a year for the APCC operational expenses in Jakarta, Indonesia. Romero said that APCC members could allocate portions of their contributions for a coordinated program aimed at projecting the health assets of coconut products.

Another strategy is to play with the U.S. at their own game. This calls for a "quid-proquo" strategy wherein the Philippines could retaliate with restrictions on U.S. imported food products.

While the ASA has recommended "specified labels" singling out coco and palm oils for their "high-cholesterol, highly-saturated or high-fat content," the Philippines could also put warning signs on American products like cigarettes--that smoking is a major cause of heart disease and cancer.

The ASA, in its massive "anti-tropical fats" campaign, claimed that coconut and palm oils are a major health hazard, second only to cigarettes.

Another counter-measure being pushed by PCA is to cite its own research findings which prove that coconut products are better than soybean, and are in fact, proven to be deterrents against heart diseases and cancer.

It is believed that since the American soybean producers cannot push for a total import ban on tropical oils as this is against the U.S. free trade tenet, the campaign against coco and palm oil for their cholesterol content is the most convenient protectionist strategy.

Soybean producers in the U.S. are now suffering from a big glut coupled with threats of a crunching market resulting from the imposition of the \$370 per metric ton consumption tax on imported vegetable oils by the European Economic Community (EEC).

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CSO: 4200/648

COCONUT LOSSES OF P1.964 BILLION EXPECTED IN DROUGHT

HK091315 Manila THE MANILA CHRONICLE in English 9 Jun 87 p 6

[Text] The El Nino drought, which hit the country starting December last year, is expected to inflict total losses of about P1.964 billion on the coconut industry during 1986-1987 and 1987-1988 crop years, according to preliminary estimates of the Philippine Coconut Authority (PCA).

According to computations based on initial reports from the eight PCA regional offices, the drought would likely result in damage amounting to 271,600 metric tons of coconut (in copra terms) this year, or 9.7 percent of total production.

This means P1.084 billion in losses of the total estimated P11 billion production.

The damage is expected to increase in 1988 to 491,400 metric tons representing 17.55 percent of total production in the two-year period amounting to P1.964 billion.

In a press briefing yesterday, PCA regional administrators raised fears of a serious slowdown in business activities in the rural areas, particularly in coconut-producing regions. Coconut production and prices are considered the major economic factors in these areas.

PCA regional administrator Tomas Cortes (Bicol region) said a survey conducted by PCA fieldmen in the area indicated that business activity would decline by 20 percent in the Bicol region starting late this year.

The Bicol region is expected to record the biggest loss of P412 million in the next two years. Cortes said coconut production is projected to decline by 23.3 percent, or from 444,558 metric tons in 1986 to 340,976 metric tons in 1988.

Regional administrator Pedro Aquino said he expected a production decline of 10 to 20 percent in Region V. The loss is expected to climb 20 to 30 percent in 1988. The decline is expected to hit 250,000 metric tons in 1988 from 375,000 metric tons in 1986.

Region II administrator Roberto Vargas said he expected a 19.2 percent reduction in the area's total production, or from 312,954 metric tons in 1986 to 266,010 metric tons in 1988.

In Region VII, administrator Luis G. Cruz predicted a 10 percent drop in production, or from 856,723 metric tons last year to 761,498 metric tons next year.

Region VIII is the country's biggest coconut producer.

Regiona VI administrator Felix Manalo likewise expected a 19 percent decline, or from 311,219 metric tons in 1986 to 251,426 metric tons next year.

The regional directors, however, agreed that the drought had already softened. Most drought-hit regions have already experienced rainfalls since the last week of May, they said.

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CSO: 4200/648

BENGUET VEGETABLE OUTPUT EXPECTED TO DECLINE

HK051212 Quezon City BUSINESS DAY in English 5 Jun 87 p 23

[Text] Baguio City--Production of potatoes and cabbages in the province of Benguet is expected to drop by 15 percent to 30 percent in the first semester, the Bureau of Agricultural Statistics (BAS) (erstwhile Bureau of Agricultural Economics) said.

BAS had just completed its study on the extent of the damage caused on potato and cabbage plantations by hailstones May 12 to 17.

According to BAS, the hailstones damaged P11.7 million worth of vegetable crops, most of which were potatoes and cabbages.

BAS office-in-charge Ramon Miranda told BUSINESS DAY that Barangay Balili in the town of Mankayan was the most affected by the hail-stones. He said 105 hectares planted to potatoes and 78 hectares of cabbage plantations were destroyed by the hailstones. Other municipalities which suffered from the calamity were Buguias and Atok.

Vegetable farms planted to wongbook, beans, sweet peas and carrots suffered "minimal losses," he added.

Reports reaching the BAS office here said that Mountain Province, another vegetable-producing area, also suffered losses estimated to cost from P8 million to P10 million. The most affected municipalities in the province were barangays Simto, Bauko and Sabangan which are all located near the boundary of Benguet.

Miranda said the hailstones fell continuously for one week.

Miranda, however, clarified that the BAS estimates of the losses were made May 31 and this can still be adjusted. He said the actual cost of the damage will be known only by the first week of July after BAS completes its production estimates. "If total production of cabbage, for instance, decreases, then we would know how much the actual damage is," he said.

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CSO: 4200/648

CORN IMPORTS SOUGHT TO PREVENT LIVESTOCK SHORTAGE

HK041256 Quezon City BUSINESS DAY in English 4 Jun 87 p 11

[Text] The poultry and feedmilling industries are agitating anew for the resumption of corn imports and have suggested that government, through the National Food Authority (NFA), contract the shipments to prevent a severe shortfall next month which could lead to massive reduction of the livestock population.

In a press conference yesterday, the Philippine Poultry and Livestock Development Foundation (PPLDF), which groups livestock growers and feedmillers, warned that the six-month drought which hit the country would result in virtually no corn harvest in June.

To prevent further slump in production, the foundation said it would request the government to import 50,000 metric tons of corn (equivalent to a month's supply) to tide over the industry from an expected severe deficit of feedcorn, which accounts for 50 percent of poultry feeds.

Vitarich representative and an officer of the Philippine Feedmillers Association of the Philippines, Dr Carmelo Ching, said the industry is amenable to allowing the NFA to be the sole importer, if only to assure the industry of its requirements in June. He added that they are also willing to buy the corn from the government at its normal price of P3.50. World market prices for corn was quoted this week at between 110 to 115 per ton.

The industry suggested that the amount be instead ploughed back to corn farmers as subsidy.

Leonardo Tanada, vice-president of the Philippine Association of Hog Raisers, Inc. (Pahri) said that if the industry fails to obtain their feedcorn needs this month, a drastic cut in livestock population, primarily poultry, would result and would thus prevent even local corn farmers from selling their produce to the industry the next season.

The Department of Agriculture, however, has anticipated the severe corn shortage and the resultant difficulties of the livestock industry when they defined a "no corn import policy" in pushing their objective of fostering profitability in farms.

A department official said the situation now being experienced by livestock raisers would encourage them to shift to locally available substitutes such as cassava and other root crops, rice bran and other corn substitutes. This, in the long run, would perk up local farms which grow these corn substitutes, so goes the department's reasoning--until the time when corn farmers again resume production.

Current developments already point to the fulfillment of the department's scenarion, except that livestock raisers who are experiencing for the first time the pain of corn shortfalls, is unprepared to reformulate feed ingredients. "Government doesn't seem to appreciate the poultry industry. We are farmers, too," said Soledad Agbayani, Pahri president.

The refocused thrust of the Department of Agriculture, on the other hand, is intended to defend a less vocal but just as significant sector of agriculture: the corn farmers which officials believe had been shortchanged in the past because of inconsistent policies of the government which tended to favor big industries, a department official said.

Amado Baladad, PLDG president said that poultry population declined this year from a range of 20 percent to 50 percent.

He said while broiler population is down, raisers are next targetting cuts in production of layers, sources of both eggs and chicken.

The industry's problem, however, is that prices of food tend to decline during the school opening and that if they jacked up prices of chicken to cover the increased cost of feeds, demand for their produce would weaken.

The current situation thus present a new challenge to the Department of Agriculture: should it put an end to the chicken-and-egg dilemma of corn farmers who had to put up with demand fluctuation caused by the influx of competing imports and inconsistent government policy--or should it solve the literal chicken and egg dilemma of the livestock growers?

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CSO: 4200/648

PAPER REPORTS SILTATION THREAT IN MAGAT RESERVOIR

HK091255 Manila PHILIPPINE DAILY INQUIRER in English 9 Jun 87 pp 1, 8

[Article by Emi S.D. Perez]

[Text] Thousands of hectares of ricelands in Cagayan valley will go dry in 25 years unless the Aquino administration succeeds in replenishing denuded forest covers around the huge Magat Dam.

National Irrigation Administration [NIA] officials said that siltation at the water reservoir of the Magat River Multi-Purpose Project (MRMP) in Isabela would eventually dry up the irrigation supply by the year 2012.

This means a loss of over P1 billion worth of palay production a year in about 50,000 hectares of farmlands.

Siltation is caused by the erosion of soil from denuded watershed into the bottom of the reservoir. If not arrested, silt will eventually fill up the reservoir.

When this happens, they said, the government will not be able to recover its P625.18 million investments in MRMP, which was completed last year. Part of the money came from the World Bank which lent \$38 million for the project.

Dr. Jose Galvez, manager of NIA's watershed management and erosion control project, said however that the government is undertaking reforestation projects to prevent soil erosion from totally filling up the MRMP reservoir.

Galvez admitted that the government is also spending part of the World Bank loan and local component of P215.720 million in the effort to avert critical irrigation shortage caused by soil erosion.

Rey Baloloy, NIA's senior hydrologist, said that an English firm found that siltation due to soil erosion has already affected the MRMP reservoir.

The reservoir, according to Baloloy, is about 200 meters deep and had a capacity of 1,678.63 million cubic meters of water in 1978. By 1974, capacity of the reservoir went down to only 1,618.72 million cubic meters or a loss of 19.91 million cubic meters in six years.

Baloloy said the reservoir at a level of 1983 meters used to hold 1,346 million cubic meters in 1978. The capacity went down to only 1,324 million cubic meters in 1984 or a loss in capacity of 22 million cubic meters.

"If this (reduction) will not change, the life of the reservoir will be only 25 years instead of 100 years," said Baloloy, citing a study of Hydraulic Research Ltd. of England.

A separate NIA study showed that soil erosion causes the flow into the Magat reservoir of 11.3 million tons of soil a year.

However, reforestation of denuded watersheds would extend the economic life-span of the dam to 71 years. "We have to reforest about 30,000 hectares of Magat watersheds to keep erosion rate within tolerable limits," said Galvez. He added that the reforestation funding also covers Pantagangan watersheds.

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PHILIPPINES

JAN-APR OIL IMPORT BILL RISES TO \$392 MILLION

HK091207 Manila MANILA BULLETIN in English 9 Jun 87 p 17

[Text] The country's oil import bill for the first four months of the year rose by 34.5 percent from last year's \$291.4 million to \$392 million as local oil firms stepped up their shipment of crude and finished products by 40.5 percent.

The Bureau of Energy Utilization [BEU], in a report, indicated that the total volume of crude and finished product imports reached 22.67 million barrels from January to April as against the 16.13 million registered in the same period last year.

This brought the aggregate crude and finished product supplies to 23.28 million barrels for the domestic market, according to the BEU report.

Of the amount, Philippine National Oel Co. supplied 8.89 million barrels, including some 610,000 barrels in domestic crude liftings or about 38.2 percent. This is 42.6 percent higher than the previous year's share of the government oil firm.

Importations of Caltex Philippines, on the other hand, amounted to 7.66 million barrels while Pilipinas Shell procured 6.07 million barrels.

During the four-month period, crude oil imports totalled 19.66 million barrels, of which 11.04 million barrels or 56.2 percent came from the Middle East. Crude purchases from the other regions more than doubled to 8 million barrels.

In terms of finished products, the country's fuel oil importation reached 2.27 million barrels during the period, or [number indistinct] percent of the 3.62 million barrels.

The increased importation was reflected in the bigger consumption of petroleum products registered during the period, particularly by the industrial sector.

Domestic demand for petroleum products went up by 9.8 percent to 21.02 million barrels from the previous year's comparative volume of 19.15 million barrels.

The industrial sector accounted for 12.47 million barrels of the total demand posted during the period, or 10.7 percent higher than last year's 11.26 million barrels.

While majority of the industries reported increased consumption levels during the four-month period, the power generation, lube refining, mining and contractors, however, registered substantial declines in usage of petroleum products, BEU said.

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CSO: 4200/648

TRADE SECRETARY FAVORS TAX CUT ON PETROL PRODUCTS

HK081315 Manila MANILA BULLETIN in English 8 Jun 87 p 25

[Article by correspondent Osdar M. Gallamos]

[Text] Trade and Industry Secretary Jose Concepcion Jr. totally favors tax reduction on petroleum products because, in his view, it would make the country more productive in the short term and allow the government to generate more revenues in the long term.

"We must bite the bullet, and the temporary loss of government revenues would be offset by the dramatic increase in domestic investment which would translate to more economic activities of our people," Concepcion said.

Concepcion told the Talakayan sa Makati [Discussion in Makati] audience that the Philippines is the only country in Asia which imposes an almost 50 percent tax on oil products. "Probably the reason why Taiwan and South Korea are more progressive than our country is because their taxes on oil products are lower," the trade czar said.

Among the ASEAN countries, Singapore is the only state without an oil tax. (Thailand charges a 32 percent tax; Hong Kong, 23 percent; South Korea, 15 percent; Malaysia, 11 percent; and Indonesia, 9 percent.

Concepcion's position is in sharp contrast to the unbending stance taken by Finance Secretary Jaime Ongpin who had expressed on various occasions the need to raise revenues for the government through the tax reform package approved last year.

"Jimmy (Ongpin) might be angry at me with my proposal, but I think we should reduce taxes on petroleum products," Concepcion said.

In an earlier interview, Ongpin told newsmen that tax cuts on oil products were "out of the question" because oil taxes comprise the single largest source of government revenues.

Concepcion said that the expansion in industrial production would show a corresponding increase in the consumption of oil products, and business should be given support to expand their capacities through more incentives such as lesser taxes.

The country imported oil amounting to some \$379.91 million during the first four months of the year, up 23.04 percent from \$308.76 million during the same period last year.

The government estimates total value of oil imports to reach \$993 million for the importation of some 53.61 million barrels at \$17.40 a barrel.

The country imported oil worth \$727 million last year.

Concepcion expressed support to the "valid" position of various consumer groups who had petitioned the government not to increase the retail prices of petroleum products.

Medardo Roda, chairman of the Coalition Against Oil Price Hike (COPI), said that the government would not be able to justify the increase in the retail prices of oil products even if the price of oil in the world market goes up because of the "unreasonable and anomalous arrangement with oil multinationals."

Roda said that if the oil price stabilization fund (OPSF) is removed, the government will realize that the reason why oil prices are high is because huge profits of the oil giants are assured through the fund.

"They (multinational oil firms) can still make a profit even without the fund, but why should the government guarantee them higher profits?" Roda asked.

The OPSF, originally designed to stabilize domestic prices of petroleum products through the oil companies drawing from the fund when prices go up, is expected to be depleted by July.

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CSO: 4200/648

PRESS SECRETARY CONFIRMS OIL PRICE INCREASE

HK091311 Manila THE MANILA CHRONICLE in English 9 Jun 87 p 3

[Text] Despite opposition by consumer groups, the government will increase the prices of petroleum products within a month, Press Secretary Teodoro Benigno announced yesterday.

But two things are still uncertain, he said. The first is the actual price increase per liter of petroleum products; the second is whether government will reduce taxes on these products.

Benigno said the increase was already a "fait accompli" which was decided unanimously by the Cabinet last March 15.

The increase was proposed by then Deputy Executive Secretary for Energy Vicente Paterno and the economic secretaries to cushion the impact on local dealers of the rise in international prices of crude oil to \$17 to \$18 per barrel.

Last March, the Cabinet approved the price change of 76 centavos to P1 per liter of petroleum. It was also agreed that the increase would be imposed on a one-shot basis.

Last week, Economic Planning Secretary Solita Monsod said the Cabinet was still waiting for "significant information" before deciding on the price change. She said the Government wants to determine the effect of the price increase on consumers and on government operations.

Meanwhile, Benigno announced that on July 16 President Aquino will visit the Bicol region for her first in a series of consultations with Regional Development Councils (RDC).

Bicol is one of the regions "most supportive of the Aquino Administration," Benigno said. Unlike Mrs Aquino's previous provincial sorties during the campaign for the constitutional plebiscite and the congressional elections, "there is absolutely nothing political" with her consultations with the RDC.

Benigno said the RDC, "the spark plug of national economic progress," will update the President on the socio-economic projects for the region.

The President is also scheduled to conduct an on-site inspection of the region's premier project, and hold dialogues with sectoral groups "in a more spontaneous and free-flowing manner."

Previous dialogues between Mrs Aquino and the sectors had been "too structured to allow spontaneous flow of information," Benigno noted.

The Presidential Management Staff (PMS) had been assigned as coordinating agency for the presidential visit to the provinces.

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CSO: 4200/648

PHILIPPINES

PRICES OF PETROLEUM PRODUCTS TO RISE JUN OR JUL

HK031449 Manila THE MANILA CHRONICLE in English 3 Jun 87 pp 1, 8

[Article by staffmember Arleen Chipongian]

[Text] Prices of petroleum products will go up by the end of this month or early next month.

The reason is that the Oil Price Stabilization Fund (OPSF), which has been absorbing the higher cost of crude oil, will be depleted in the next four weeks.

Even the proposal to reduce specific taxes on petroleum products will not prevent a price increase, as the government can allow only a minimal loss in revenues from the tax cuts.

The Cabinet is expected to take the matter of the impending price increase when it meets today.

Board of Energy (BOE) sources said yesterday that the OPSF will amount to only P150 million by the end of the month, from its end-1986 level of P2.1 billion.

The P150 million will be sufficient to reimburse the oil industry's crude oil costs only for at least a week, after which oil companies will have to pressure the government to allow a price increase to cover the increased cost of crude oil importations.

Prices of crude oil have gone up from \$16.90 per barrel in January and February to \$17.50-\$18 in March and April. The present retail prices of gasoline, diesel and other petroleum products are based on crude oil prices of below \$16 per barrel.

While the planned increases had been earlier predicted to amount to at most P1 per liter, they may have to be bigger. The Board of Energy wants to build up the OPSF to prevent world fluctuations in the prices of petroleum products if crude oil prices prove volatile.

To boost the OPSF reserves, it is necessary to increase pump prices of petroleum products.

Contributions of the oil industry to the OPSF have stopped when crude oil prices started to rise early this year.

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CSO: 4200/648

PHILIPPINES

HIGH GRADE COAL FIND REPORTED IN SURIGAO DEL SUR

HK101417 Manila THE MANILA CHRONICLE in English 10 Jun 87 p 10

[Article by staffmember Raul Marcelo]

[Excerpt] The Piedra Negra Mining Corp. (PNMC), a P16-million firm exploring for mineral resources since 1981, has discovered high-grade coal in its mining claims in Surigao del Sur.

PNMC disclosed this in its application with the Securities and Exchange Commission (SEC) for authority to raise P100 million from the public through the issuance of its shares of stock.

The company said that its discovery is in the 7,000-hectare Tandag-Marihatag-Lianga coal basin in Surigao which is conservatively estimated to contain 182 million tons of coal.

PNMC said that the coal deposit has a high heating value of up to 11,000 British thermal units (BTU) as against the average heating value of coal being produced locally of 9,500 BTU.

PNMC holds a coal operating contract for the Surigao area granted by the then Ministry of Energy (MOE) on August 24, 1982.

In its application with the SEC, PNMC said that it needs to raise funds from the public to generate working capital to finance the development and production activities in its coal concession in Surigao del Sur.

PNMC also submitted a five-year work program for the coal mining area which will entail a cost of P100 million.

The firm expects to produce 40,200 metric tons (MT) of coal on the second year at a cost of P13.28 million, increasing to 93,000 MT of coal on the fifth year of operation.

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CSO: 4200/648

BRIEFS

BANKS' ASSETS INCREASE--The combined assets of the country's 42 operating private development banks (PDBS) reached P4.8 billion at the end of the first quarter this year, up by 5.5 percent or P249 million from the level posted in the previous quarter. The Central Bank (CB) attributed the three-month rise in resources to the substantial expansion in investments, largely in government securities which increased by P281 million or by 48.3 percent during the period. This explains, the very low growth in the loan portfolio of PDBS, another earnings assets. Their loan portfolio rose by only 0.6 percent of P14 million, the CB said. However, the quality of the loan portfolio remained satisfactory despite a slight 0.5 index point. The CB said that additional deposits and borrowings financed the operations of PDBS during the quarter to the extent of 52.9 percent. Improvements in capital accounts provided another 17.9 percent while available supply of cash assets covered about 20.2 percent of the total fund requirements. The expansion in deposits of PDBS, the CB noted, was largely in the form of domestic savings accounts while the increase in bills payable was primarily borrowings from banks other than the Central Bank. [Text] [Manila THE MANILA CHRONICLE in English 10 Jun 87 p 11 HK] /6662

TROOPS' DIFFICULTIES IN FIGHTING COMMUNISTS--Manila, June 4 KYODO--Defense Secretary Rafael Ileto said Thursday government troops are facing difficulties in launching continuous offensive operations against communist insurgents after a temporary lull during the campaign period for the May 11 congressional elections. Ileto said it was difficult to require troops to "conduct operations on a sustained offensive basis" since they have not conducted any massive operations "for quite sometime." He admitted that military operations during the early part of the year were "not really successful." He did not elaborate. U.S. Embassy official Philip Kaplan, however, praised the "more aggressive posture" taken by the 250,000-strong armed forces under the government of President Corazon Aquino in combatting the communist-led New People's Army (NPA). Kaplan said that 10 helicopters and medical equipment will be delivered next week which the U.S. had promised to Aquino for use in the government's counterinsurgency campaign. [Text] [Tokyo KYODO in English 1049 GMT 4 Jun 87 OW] /6662

NPA'S INTENSIFIED ATTACKS--In Lanao de Norte, 100 communist rebels ambushed a group of Philippine Constabulary [PC] soldiers in Karomatan Tuesday, killing a soldier and wounding two others. The soldiers were on their way to the PC headquarters in Iligan when they were waylaid. Meantime, Armed Forces Spokesman Honesto Isleta said the rebels have gone back to (?country) style fighting. He said they have intensified attacks in military installations and government symbols. Isleta cited the June first attack on the municipal hall in Laur, Nueva Ecija. [Begin Isleta recording] We expect the CPP [Communist Party of the Philippines]-NPA will continue to attack symbols of government and military stations and detachments. Last Wednesday, at 0640 in the afternoon, some 50, not 500, rebels, all wearing fatigue uniforms, attacked and surrounded the municipal building of Laur, Neuva Ecija. The policemen who were all on the seventh floor fought back and were able to turn back the rebels. But in spite of this, they lost two policemen. [end recording] [Text] [Baguio City Mountain Province Broadcasting Company in English 0330 GMT 4 Jun 87 HK]/6662

20-YEAR-OLD CONSCRIPTION RULED OUT--Defense Secretary Rafael Ilete yesterday ruled out mass conscription of 20-year-olds in the planned Citizens' Army. But he said the executive order to be issued by President Aquino on the Citizens' Army may include provisions for a selective draft of 20-year-old male Filipinos and reservists. He did not elaborate. The defense chief, talking briefly with reports after emerging from a cabinet meeting, also said 4,000 members of the New People's Army have come down from the hills since the President declared a general amnesty for rebels following the collapse of peace talks last February. He said 1,000 of the surrenderers were armed regulars of the insurgent army. The defense chief also described as an "old report" the persistent talk about another coup plot by soldiers still loyal to Juan Ponce Enrile. [Text] [Manila PHILIPPINE DAILY INQUIRER in English 4 Jun 87 pp 1, 6 HK] /6662

RELEASE OF SINGAPORE 16 REQUESTED--Manila, June 5 (AFP)--Philippines Civil Rights activists said Friday they have asked Singapore's Prime Minister Lee Kuan Yew to give a fair and open trial to 16 people detained for alleged conspiracy to set up a communist state. The Philippine Alliance of Human Rights Advocates (PAHRA) said it had urged Mr. Lee to "release then conduct an open and fair trial" for the 16, including 10 Roman Catholic lay workers, arrested May 21. PAHRA groups most church-based human rights monitors. [As received] "We have strong reasons to believe that the human rights of these people have been transgressed," the letter reportedly said. It added: "We are also not aware of anything wrong they have done except perhaps being active in justice and peace and human rights issues." Arnel de Guzman, co-ordinator for PAHRA's international solidarity desk, told AGENCE FRANCE-PRESSE other church people from this largely Roman Catholic neighbour of Singapore, were launching a signature campaign to press for the release of the 16 detainees. [Text] [Hong Kong AFP in English 1218 GMT 5 Jun 87 HK] /6662

SERIOUS CRIME UP IN METRO MANILA--Serious crime including murder, burglary and armed robbery increased by 5.78 percent in Metro Manila in the first quarter of this year compared with the same period of 1986, it was announced yesterday. Brig. Gen. Alexander Aguirre, Capital Region commander, announced the figures and said he had ordered a stepped up anti-crime drive in the metropolis. In addition, Aguirre said police had seized 69 firearms, 2,452 dynamite sticks, nine grenades and 243 rounds of ammunition in the first three months of the year. Ironically, the increase in crime was registered during a time when the military, which is responsible for law enforcement, was frequently on alert for possible political agitation. Aguirre told reporters last Saturday that he was shifting emphasis from preventing coups and coup plots to pursuing more mundane offenders such as murderers, robbers and car thieves. [Text] [Manila THE MANILA CHRONICLE in English 3 Jun 87 pp 1, 8 HK] /6662

ILETO: NO DANGER OF COUP--Defense Secretary Rafael Ileta reassured that there is no danger of another coup being hatched by military men close to former defense chief Juan Ponce Enrile. According to him, although there are many soldiers close to Enrile, they are not planning any ruthless action. He added that even if newspapers carry reports regarding a coup, it never materializes. [Text] [Manila Radio Veritas in Tagalog 1300 GMT 3 Jun 87 HK] /6662

REDUCED OIL IMPORT DUTIES URGED--Senator elect Vicente Paterno wants the import duties on oil reduced from the present 20 percent to 15 percent. Such a reduction, in effect, cuts the landed cost of imported oil by as much as 90 cents per barrel, enough to prevent the price increase of oil. The price increase in simple oil products is based on the rise in the international oil prices from \$12 to \$18 per barrel. Paterno said that higher world prices of oil naturally means higher import duties computed from the land cost of imported oil. [Text] [Quezon City Sports Radio 738 in English 8 Jun 87 HK] /6662

UNIDO LAUDS DECREE NULLIFICATION--The leaders of the United Nationalist Independent Democratic Organization (UNIDO), Manila chapter, lauded President Aquino's move to nullify presidential decree 1110-A. The decree lays down the death penalty to whoever is proven guilty of attempting to kill the president and his family members, cabinet members, members of the Supreme Court, general officers and commanders of the Armed Forces of the Philippines, and other high-ranking government officials. According to UNIDO officials headed by Gonzalo Puyet II, the move to nullify this decree is another proof of the president's sincerity, humility, and her untiring efforts as a true head of the country. [Text] [Quezon City Radyo ng Bayan in Tagalog 0330 GMT 8 Jun 87 HK] /6662

NPA COMMANDER KILLED--An NPA commander was killed and four of his companions were wounded during a rebel attack on police headquarters in Dolores, Quezon, the other day. The slain NPA commander was identified as Alberto (Maluag). A constabulary report said about 40 rebels attacked the police headquarters which also served as a constabulary patrol base in Dolores. In the exchange

of gunfire, the NPA commander was killed and four others were wounded, while the government suffered four wounded. While the fight was in progress, nine constabulary men from Task Force Kalasay [Shield] based in San Pablo City, tried to reinforce the beleaguered policeman and soldiers, but a few kilometers away from the scene of the encounter their vehicle hit a rebel landmine, destroying the vehicle and injuring all those on board. [Text] [Baguio City Mountain Province Broadcasting Company in English 0330 GMT 8 Jun 87 HK] /6662

GRAVES OF NPA VICTIMS--In Pangasinan, government troopers pursuing rebel bands which ambushed a military patrol Friday morning discovered on Saturday two shallow graves of suspected government informers in Barangay San Macario Norte, Nativida Town. It was in San Macario Norte that the rebels ambushed six government troopers, killing one and wounding two others at about 1:30 am Friday. Captain Mariano (Busa) of the 151st Constabulary Company, said one of the two graves contained a decomposing body of a certain Narding. The other grave contained the skeletal remains of two persons, one of whom was believed to be that of a certain resident of Payug Town who had been reported missing. (Busa) said they hope to find more graves of NPA rebel victims. A surrendered NPA regular, identified only as Ka [Comrade] Nardo, told military authorities that the rebels usually bury their victims in a certain wooded area in the barangay. [Text] [Manila Far East Broadcasting Company in English 2300 GMT 7 Jun 87 HK] /6662

NPA HITMEN AIDED BY HOODLUMS--Eastern Police District Superintendent Brigadier General Manuel Roxas said that criminal elements in Metro Manila have joined forces with the NPA's Sparrow units. According to reports received by Roxas, the NPA death squads are being assisted by hoodlums in their assassinations. Roxas said the actual killings are done by the NPA hitmen themselves. [Text] [Quezon City Radyo ng Bayan in Tagalog 0300 GMT 11 Jun 87 HK] /6662

MILITARY ACTIVITIES, EVACUATIONS--Hundreds of farmers have reportedly fled their homes in 10 barangays in Surigao City due to pressures from military personnel. The report from Rey Delima of Surigao City: [Begin recording, in English] They complained of indiscriminate firing almost every night. A certain group that worked with the poorer farmers in Arellano District cannot enter the assigned area for fear of being suspected by the military in the area as NPA. The military has intensified its campaign against the NPA rebels just after the murder of two members of the Philippine Army, in particular the 29th Army Battalion, 2 days ago in one of the barangays during an ambush staged by alleged NPA rebels in the area. [end recording] [Text] [Manila Radio Veritas in Tagalog 1230 GMT 11 Jun 87 HK] /6662

ARMY GUARDING HYDROELECTRIC PLANT--More than two Army battalions were deployed to guard Maria Cristina hydroelectric plant in Iligan after Muslim rebels threatened to sabotage it. The two Army battalions are supported by helicopter gunships and other military facilities from the regional unified command. The Maria Cristina plant supplies electricity to the whole of Mindanao. The plant is being guarded on a 24-hour basis. [Text] [Manila Radio Veritas in Tagalog 1230 GMT 3 Jun 87 HK] /6662

10 KILLED IN MUSLIM VILLAGE ATTACK--Manila, Jun 12 (AFP)--Ten people were killed and seven others injured when armed men believed to be members of a pseudo-religious cult attacked several homes in a southern Moslem village, the official PHILIPPINES NEWS AGENCY (PNA) reported Friday. The attackers also burned a row of houses in the farming village of Marupok in Cotabato Province after strafing them at dawn Thursday, PNA said. Among those killed was a two-year old girl, the agency added. Ibrahim Macabenta, a survivor who said he jumped from his window during the attack, told PNA that seven armed men barged into their homes and sprayed the sleeping occupants with bullets. He said he believed that the attackers, who spoke in the local Ilonggo dialect, were members of the Tadtad cult which has terrorized the predominantly Moslem populated communities in Alamada Town, PNA said. [Text] [Hong Kong AFP in English 0755 GMT 12 Jun 87 HK] /6662

CSO: 4200/648

CAMBODIAN SUCCESSES, PROBLEMS DISCUSSED ON ANNIVERSARY OF LIBERATION

Hanoi QUAN DOI NHAN DAN in Vietnamese 17 Apr 87 pp 1, 4

[Unattributed report: "The 12th Anniversary of the Defeat of the American Imperialists by the Cambodian People: Move Forward from the Strength of the Tradition of Being Indomitable"]

[Text] Twelve years ago, on 17 April 1975, the people of Cambodia won a glorious historical victory. They defeated the American imperialists and completely liberated their country, bringing an end to the period of colonial and feudal domination. The 17 April victory by the Cambodian people proved that a small nation that has a tradition of resolute struggle and the will power and determination to defeat foreign invaders and that exploits the integrated strength of the nation and age can certainly win. This victory was also the result of the firm combat solidarity of the three peoples on the Indochinese peninsula for independence, freedom, and the progress of each country.

But after winning this victory, the people of Cambodia were not allowed to live happily and peacefully in a country completely free from enemy troops. The Pol Pot-Ieng Sary-Khieu Samphan clique betrayed the nation and consented to serve as the lackeys of expansionism. They committed horrible crimes against the people of Cambodia and almost committed genocide here. In only 3 years, 8 months, and 20 days, the Pol Pot-Ieng Sary clique killed 3,314,768 people, made cripples of 141,848 people, made orphans of 200,000 children, and made widows of hundreds of thousands of women. They destroyed 5,857 schools, 796 hospitals and clinics, and 2,069 temples. Under Pol Pot, the quarters and streets in Cambodia were devastated, and the spiritual and material values of the people were destroyed. There was no longer any social infrastructure. There was only suffering and tears. The entire world saw the genocidal activities of Pol Pot and his protectors.

Facing annihilation, once again the people of Cambodia resolutely rose up and launched a revolution. Under the leadership of the People's Revolutionary Party and the Kampuchean National United Front for National Salvation and with the active and timely help of volunteer Vietnamese troops, the Cambodian people smashed the cruel yoke of oppression of the Pol Pot-Ieng Sary-Khieu

Samphan clique and established the People's Republic of Kampuchea. Since then, Cambodians have entered a new era, an era of independence, freedom, and socialist construction in their beautiful country.

During the past 8 years of revival, meeting the challenges and overcoming the difficulties, Cambodia and the Cambodian people have made great changes. Happiness is again apparent in the faces of the young. There is the joy of freedom. Happiness is apparent among newly married couples. The fields and rubber plantations are turning green again. Today in Cambodia, the farmers are engaged in collective life in more than 100,000 production solidarity units. Two-thirds of the crop-growing area has been restored, and grain yields exceed 2 million tons per year. The starvation of the Pol Pot period is a thing of the past. There are now 2.2 million head of cattle and buffalo, triple the number just after liberation. There are 1.3 million hogs and 10 million domestic fowls. Industry and small industry and handicrafts are expanding. Almost all of the industrial production installations were destroyed, but now they have been restored and are engaged in stable production. For the past 3 years, Cambodia has been exporting rubber and products made from rubber. Today, almost all of the villages in Cambodia have a Level-I school. The districts have Level-II schools, and the provinces and municipalities have Level-III schools. In school year 1986-1987, there are 63 Level-I schools with 72,450 students and 2,446 instructors. There are 29 Level-II and Level-III schools with 46,500 students and 1,308 instructors. There are 48 kindergartens with more than 5,470 students. The country has eight colleges and technical middle schools. The public health network is expanding rapidly, and much attention is being given to protecting mothers and children.

Under the light of the resolution of the 5th Party Congress, the Cambodian people are striving to implement the First 5-Year Economic Plan (1986-1990). They are concentrating on four key targets: grain, rubber, timber, and fishing.

Cambodia's miraculous recovery during the past 8 years in the economic, cultural, and social spheres is increasing the prestige of the PRK internationally. After coming and visiting Cambodia, people who had had preconceived ideas about Cambodia and who had had hostile viewpoints have acknowledged the progress made by this country and expressed their joy over the fact that a nation has escaped genocide and is building a new life.

All of the achievements scored by the Cambodian people during the past 8 years have been achieved through a process of fierce and complex struggle against the crafty plots of the remnant Pol Pot forces, reactionary Cambodians, and their protectors. The expansionist, hegemonist, and imperialist forces have persuaded the right-wing powerholders in Thailand to support and guide the Pol Pot clique in opposing the Cambodian revolution. They have made use of the very difficult situation in Cambodia, promoted military activities along the Cambodian-Thai border, and supported stepping up destructive activities within the country. At the same time, they have exerted pressure at the international level, including economic encirclement, in order to block the recovery of the Cambodian people and isolate the PRK in the world. Their plan is to change the balance of forces to facilitate toppling the revolutionary regime and restoring the Pol Pot clique to power. The so-called Coalition Government of

Democratic Kampuchea is really just a puppet in the Cambodian affair that is manipulated by the expansionist and imperialist powers. The remnant Pol Pot forces are intentionally inventing stories about great victories inside Cambodia, presenting letters of credence, and signing documents in order to sway international public opinion and obtain aid from countries that do not understand the reality of the situation in Cambodia.

But in spite of the cunning plots and actions of the enemy during the past 8 years, the Cambodian revolution has been solidified and continues to expand. The forces of the Cambodian revolution are becoming stronger and stronger. Cambodian-Vietnamese-Lao solidarity is being solidified constantly.

The Cambodian people are heading toward the future filled with confidence. They are resolved to build their country and turn it into an independent and sovereign nation with a continually expanding economy and a stable life that improves constantly. The confidence of the Cambodian people is manifested eloquently in the policy of national accord proposed by the government of the PRK. With the achievements scored in implementing the internal and external policies, the PRK is contributing greatly to stabilizing the situation in this zone.

On the anniversary of the defeat of the American imperialists by the people of Cambodia, which happens to coincide with the traditional Chon Chnam Thmay festival, the people and armed forces of Vietnam wish the Cambodian people success in scoring many more great victories in building and defending their beloved fatherland.

11943

CSO: 4209/460

CITIZEN REQUESTS BETTER PEOPLE'S COUNCIL DISSEMINATION

Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 8 Apr 87 p 1

['Speak Frankly, Speak the Truth' column by Luong Nguyen Kim Khanh, 6th Precinct: "People's Council Delegates at All Levels Must Fulfill Their Role"]

[Text] There are presently relatively many violations of the law with a tendency to increase in location after location and moment by moment. Besides strict prosecution, we must propagandize and disseminate the law. Article 34 of the People's Council and People's Committee Law states that, "a people's council delegate must set an example in executing the law and policy of the state, and propagandize and motivate the people to execute the laws and policies and participate in managing the work of the state." In the end of term review report of the 6th Precinct People's Council, there was no observation on what the people's council delegates had done to fulfill this mission. The situation was similar in other precincts and districts. The following calculations indicate the people's council delegate forces at all levels:

--The Municipal People's Council in accordance with regulations is comprised of: 150 delegates.

--18 precincts and districts have 1,080 people's council delegates (each with 60).

--261 subprecincts and villages have 11,745 people's council delegates (each with 45).

The total number of people's council delegates at all three levels comes to 12,975 people.

The dissemination and explanation of resolutions passed by the people's council is extremely limited. After a session, people's council delegates report only to their "electorate representatives," about 40 to 50 or at the most 100 people, and consider the matter finished! A majority of those who voted for the delegate know nothing at all.

On the other hand, people's councils at all levels are the highest organ of authority in the local area and the representative of the collective ownership of the people, but what if the representative doesn't know you?

We propose that:

People's councils and people's committees at all levels organize widespreadpropagandizing and dissemination of laws, and set an example in executing and guiding the people in properly executing stipulated laws. People's councils at all levels must organize proper achievement of their supervision and inspection mission in order to promptly praise the proper and good things, and to submit correct and immediate proposals aimed at halting erroneous actions and negative manifestations.

7300

CSO: 4209/451

NHA BE DISTRICT ADMITS FEW TEACHERS TO PARTY

Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 8 Apr 87 p 2

['Notebook' column by Mai Lan: "Doesn't Nha Be Have A Single Teacher With Sufficient Qualifications to Enter the Party?"]

[Text] The preliminary summary of the first semester of the 1986-1987 school year of the Nha Be District Education Bureau stated that not one additional teacher had been admitted to the party. After nearly 12 years of liberation, the Nha Be District Education Bureau has compiled some fairly interesting figures: up to now, 24 out of 28 basic level general schools have no party members, and in the kindergarten area, 17 out of 17 schools and four out of four supplementary education schools have no party members at all. Specifically, out of nearly 1,200 cadres, teachers, workers and civil servants, the schools have a total of only 10 party members.

Meanwhile, the semester preliminary summary of the education bureau evaluated that, "A majority of the teachers engage in enthusiastic and quality teaching. Many who are of poor health or have family difficulties must operate a pedicab to earn additional income but still perform their jobs well. They actively attend and teach. Those who work in Phuoc Loc, Hiep Phuoc and Long Thoi, despite the distance and river, still strive to come to work on time, ensuring greater man-days and man-hours every year.

Thus, isn't there a contradiction between two matters in the same report? How should we understand this? Could it be that the party organization here has not given the proper level of concern or has been overly harsh in developing party members in the education area? Or, could it be that the substance of the report in evaluating the teachers is inaccurate? Why, out of 1,200 teachers, workers and civil servants in the Nha Be District education sector, is there no one qualified for entry to the party?

7300

CSO: 4209/451

PAPER DISCUSSES IMPROVING MILITARY CONTROL ACTIVITIES

Hanoi QUAN DOI NHAN DAN in Vietnamese 10 Apr 87 pp 1, 4

[Editorial: "Fulfill Military Control Responsibilities"]

[Text] In order to strengthen control, maintain military discipline when soldiers leave camp, guide the movements of the soldiers and transportation by military vehicles, and ensure that the communications regulations and state laws are carried out strictly, the military control forces may organize fixed control stations and mobile patrol teams. In general, the military control forces operate actively and help the various-echelon commanders and commanders where troops are stationed, remind the soldiers to obey the state laws and maintain military discipline, and contribute to maintaining order and security in the zones where troops are stationed. Many military control cadres and personnel have fulfilled the tasks well, done things correctly, fulfilled their responsibilities, acted within their authority, manifested the revolutionary qualities of people's soldiers, remained pure and wholesome in the face of the negative enticements of society, and gained the confidence and respect of their fellow soldiers and the people.

However, because the responsibilities of the military control forces have not been adhered to firmly, because cadres and personnel to carry out the military control tasks have not been selected carefully, because adequate training concerning occupational qualities and skills has not been provided, and because management and control has not been firm, there have been a number of instances in which military control personnel have made use of their powers to commit violations. For example, they have acted in an overbearing and authoritarian manner, been impolite, and stopped and inspected vehicles and then confiscated goods and levied fines. Some have even demanded "gifts" and asked for gasoline. They have taken bribes and disrupted the travel of the soldiers and people.

Many units and localities have arbitrarily set up many control stations along the inter- and intra-provincial highways without the permission of the military region or corps [quan doi]. Military control forces have been used to carry out tasks outside the scope of the military's functions. Such activities include clearing away stalls and markets, inspecting passenger vehicles and searching goods, guarding fish ponds, and escorting commodities for outside organizations in order to obtain money to set up a fund.

In order to manifest the role of the military control forces, quickly put a stop to these negative phenomena, strengthen education, improve the moral quality of the military personnel, and provide them with occupational training, the military control cadres and personnel must be inspected and reorganized. Those individuals and collectives that commit disciplinary infractions must be dealt with harshly. Those cadres and personnel who are weak morally, who lack qualifications, and whose behavior is bad must be expelled from the military control forces.

After the chairman of the Council of Ministers issues a decision on disbanding special-sector and inter-sector control stations along the inter- and intra-provincial communications routes, the units and localities that have been given authorization must inspect and reorganize the military control stations in accord with the above decision and ensure that the travel of the troops and people is not disrupted. The military control cadres and personnel must be educated so that they carry out their functions properly, help the commanders maintain military discipline, maintain security and safety for military communications, and ensure that those military personnel who act improperly and violate military discipline while outside the camp are dealt with properly. Those units and localities not assigned the task of patrolling the highways may organize teams to conduct patrols around the military base only. They must not send teams to operate along the highways. The military control stations that operate along the inter-provincial communications routes are to be stipulated by the military region and placed under the guidance and direct control of the provincial military command. Those military personnel who work at these stations must have badges, armbands, certificates of authorization from the command or military region, notebooks, and report models so that they can record things in accord with the procedures and stipulations. They must also carry a copy of the responsibilities and tasks with which they have been entrusted.

The military control forces are a professional organization. The military control cadres and personnel must be given professional training in accord with the procedures, and each person must be helped to adhere to the principles, forms, and work methods.

Adhering to the responsibilities, tasks, and powers given them, the military control cadres and personnel must constantly improve their revolutionary morals and actively upgrade their professional standards in order to improve the quality of the military control activities.

11943
CSO: 4209/458A

LABOR, POPULATION REDISTRIBUTION RECEIVES ADDITIONAL EMPHASIS

Hanoi QUAN DOI NHAN DAN in Vietnamese 17 Apr 87 p 3

[Article by Tran Dang Van: "Redistribution of Labor and Population; Achieving Three Major Economic Programs"]

[Text] To overcome the unequal distribution of labor between regions, our party since the sixties has advocated a transfer of population from the lowlands to the sparsely populated highlands aimed at opening additional new economic zones. After the liberation of the south and reunification of the country, the problem of labor and population redistribution became increasingly acute. During this period, we have motivated millions of compatriots from the southern cities to return to their homes and today, although more than 4 million have been deployed to the sparsely populated regions, the population of our country still has an unequal distribution with 80 percent still living on 21 percent of the area in the lowlands and midlands. In three provinces of the Red River Delta, there are 14 people per cultivated hectare and the population during the past 5 years has increased by 700,000 people but only about 140,000 have been transferred outside the province. Consequently, the pressures of population, food and employment are extremely great.

The report on the 5-year 1986-1990 primary course, mission and objective of socioeconomic development of the Party Central Committee presented at the Sixth Party Congress stated, "The unequal distribution of labor and population is presenting us a major mission of labor and population redistribution on a regional and nationwide scale." The position above must be achieved over a period of many years with the purpose of connecting labor with the land to successfully achieve the three major economic programs of the party during the present period of grain, food, and consumer and export goods.

Resolution of the grain and food problem must mobilize to the maximum degree the land that is still uncultivated or that is wastefully used in intensive cultivation and multicropping, while simultaneously opening additional new area and developing trade sectors to have sufficient grain and food to feed the laborer and surplus products for industrial development requirements. This requirements will strongly attract the labor force in the rural area while simultaneously creating labor reassignment and redistribution in each region and throughout the country. Achievement of the consumer goods

production program has significance in assisting to liberate labor strength, especially technical labor and labor in trade sectors with potential capabilities in industry, small industry and handicraft, and service to social life and consumption. This capability will create additional millions of new jobs in the cities and rural areas short of land but with a labor surplus. Achievement of the export goods program will also provide work for hundreds of thousands of people in the production of export products processed from domestic and foreign raw materials, and will simultaneously demand the redistribution of hundreds of thousands of people to the highlands to plant forests for the exploitation of native forest products, to produce various kinds of crops of high export value such as tea, coffee and rubber, or to live in areas along the coast to raise, exploit and process valuable marine products, to raise raw material crops such as rushes, kelp, etc.

Since 1986 and especially during 1987, labor and population redistribution is being conducted in accordance with the spirit of the Resolution of the Sixth Party Congress within each region and throughout the nation. New points in labor redistribution during the next few years are: Concerning the production course, to concentrate on forestry and short and long-term industrial crops, especially those crops for export and to ensure raw materials for domestic industry and consumption. Concerning production relations, to strengthen the state-operated economic element, achieving its supervisory role, while simultaneously and strongly developing the collective and cooperative forms. For private operators with manpower and capital, the state will encourage acceptance of additional land for expansion of agricultural and forestry production and trade sectors. Concerning the form of population transfer, primarily in the collective form. In the consolidated new economic zones of provinces or the central government such as the central highlands, people will be transferred to their new locations to form hamlet or village complexes by local area to facilitate family and social relations. Because the concept of new economic transfer is to build a new socioeconomic zone, there must be a uniform transfer of the labor structure, consisting of cadres from the party, administration, mass organizations and scientific and technical, social, cultural, public health and service sectors. Construction of a new economic zone must select an easy and effective location beforehand in order for the people to hold fast and become stable in that area. During nearly the past 30 years, the planned redistribution of labor and population in our country has produced worthwhile achievements; however, there are still many prolonged shortcomings that we are slow in overcoming. A lot of labor and population redistribution still has many restrictive aspects due to uneven coordination between sectors and local areas, especially in the slow correction of organization and policy problems.

For labor and population redistribution to be effective, it is first of all necessary to clearly define the production position and course. At this time, nearly all provinces and districts have completed their general projections. However, labor redistribution must not only be based on general projections but must have specific surveys of each subzone and population distribution point to have a production course and plan, and to accept specific labor. The areas with favorable land or along communications routes, rivers and streams have basically formed their population complexes. To continue to transfer people to more distant regions will require preparation in many aspects to

ensure daily life and production service such as road construction, water conservancy and public welfare projects. This also demands that construction, water conservancy, communications and transportation, service, cultural, educational and public health sectors must have direct participation in construction of the new socioeconomic zone.

Labor and land are available potential capabilities but to awaken and develop these great potentials, the proper level of material conditions must be ensured. In the transfer of a large number of laborers and people to a new area to construct a new socioeconomic zone, it is increasingly necessary to have a source of capital to ensure production, to support production, and to build the collective welfare projects of the people. During the past few years in creating a material and technical base in new economic zones, we have relied on the great efforts and contributions of the people and the supportive policies of the state. Because this source of capital is still extremely limited compared with requirements, construction of new economic zones is still unstable and has not achieved the desired results. At the present time, there are many sources of capital for building a new economic zone: capital from the agricultural and forestry, water conservancy and communications and transportation sectors; capital from the cultural, educational and public health sectors; capital to achieve settled farming and residency or to free area for the construction of large hydroelectric projects; or capital from economic cooperation with fraternal countries in the raising of coffee, rubber, etc. If we know how to consolidate the sources of capital above into an objective of labor redistribution to construct new economic zones, high economic returns will be rapidly created. Regrettably during the past few years, because we have deployed and used the sources of capital above in a dispersed fashion, we have been slow in stabilizing the lives of the people, leading to a situation in which there were periods and regions in which the population was extremely high.

The introduction of hundreds of thousands of people to a new and strange region to live is an extremely difficult task. Even when arriving during the proper production season, if grain is being raised, it still takes 6 months before there is food to eat; if industrial crops such as tea or coffee are raised, it takes 4 or 5 years to produce a product for exchange. Therefore, the problem presented is a need for a grain stock concentrated in regions of heavy population arrival such as the central highlands. If living conditions for the laborers are not ensured during the initial period, a situation of continued destruction of forests to build slash-burn fields will be difficult to avoid. The essential commodities of daily life such as cotton wadding, mosquito net cloth, rain protection fabric, table salt, dried and salted fish, kerosene, etc. must also be specifically deployed to supply the people with the purpose of creating rapid stability in living conditions and to avoid upsetting market prices with an adverse effect on the entire population and the new people.

Policy, organization and cadres are decisive issues in ensuring successful achievement of labor and population redistribution. Policy must be consistent with and attract people to each region, especially the northern central highlands and the islands. Management and technical cadres, teachers, medical specialists, doctors, assault youths and discharged draftees and military

personnel volunteering to go to new economic zones must also have a suitable incentive policy. Policies on land ownership rights, production credit and obligations to the state or on the prices of each type of product of the new economic compatriots, and on settled farming and residency must receive special encouragement. To acquire a full-time force concerned with labor and population redistribution, it is necessary to have a unified system and mechanism from the central to the provincial, district and new economic zone level in order to supervise operations. Cadre ranks must be chosen from responsible and capable individuals and the course of operations and management mechanism must be consistent to create the strength and sufficient limited material conditions to successfully achieve the labor and population redistribution undertaking.

CSO: 4209/454

CRIMINALS TRIED FOR ENGAGING IN SPECULATION, DISRUPTING MARKETS

Millions of Dong Embezzled

Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 11 Apr 87 p 1

[Article by M.T.: "Municipal People's Court Tries Tran Ty and His Accomplices for Using the Name of the State, Engaging in Speculation, Disrupting the Markets, and Storing Goods Illegally"]

[Text] On 10 April 1987, based on the charge brought by the Municipal People's Organ of Control, the Ho Chi Minh City People's Court, presided over by Le Quang Vinh, tried Tran Ty, Ly Lap Thanh, Du Thien, and Truong Van Tai, who had criminal records. They were engaged in the technical processing of export goods for the Municipal Agricultural Products and Food Export Corporation.

Tran Ty was arrested on 26 March 1981 for making use of loopholes in economic management and making illegal use of the corporation's large commodity fund. He engaged in speculation, raised prices, disrupted the markets, and concealed many American dollars in order to enrich himself illegally.

After serving a prison sentence for counterrevolutionary crimes, Tran Ty cleverly managed to get a job processing export goods for the Municipal Agricultural Products and Food Export Corporation [MAPFEC]. Using a variety of illegal methods, in just 6 months, Tran Ty managed to appropriate 45,225,000 dong and \$83,000 for himself.

The Municipal People's Court is continuing to try this major economic case.

Criminals Sentenced

Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 12 Apr 87 p 1

[Article by M.T.: "Tran Ty Sentenced to 14 Years in Prison for Using the Name of the State, Engaging in Speculation, Disrupting Markets, and Storing Goods Illegally"]

[Text] At 1000 hours on 11 April 1987, the Municipal People's Court concluded the trial of an economic case. The defendants included Tran Ty, Ly Lap Thanh, Du Thien, and Truong Van Tai. They were charged with using the name of the

state, engaging in speculation, disrupting the markets, and storing goods illegally.

According to the testimony heard by the Municipal People's Court, at the end of 1981, Tran Ty and his accomplices succeeded in getting jobs with the MAPFEC under the pretext of "engaging in the technical processing of export goods." Tran Ty made use of the managerial weaknesses of the director and cadres responsible at this corporation and established a separate control apparatus with 40 storehouses and more than 2,000 employees, whom he personally hired and paid. Tran Ty seized corporation commodities worth 184,042,000 dong.

Tran Ty sold these commodities on the free market and arbitrarily set prices higher than the stipulated prices in order to make a profit. He then gave the money to his flunkies and had them purchase dollars. He hid more than \$50 million at the home of a friend in order to "take care of his personal life." At the same time, he purchased and sold various types of export agricultural products, which disrupted the organized markets and destabilized prices.

In just 6 months (October 1981 to March 1982), Tran Ty made an illegal profit of 45,225 million dong and \$82,000.

Based on the serious nature of this crime and on the fact that the defendants confessed, in accord with articles 165, 166, and 185 of the Criminal Code, the Municipal People's Court sentenced Tran Ty to 14 years in prison. Du Thien, Ly Lap Thanh, and Truong Van Tai were sentenced to 4 years, 7 years, and 6 years in prison respectively (starting from the time of their arrest). The huge sum of money (both dong and dollars) earned by Tran Ty illegally was confiscated and placed in the state fund. The court also recommended that the agencies responsible take administrative action against Nguyen Dac Phu, the director, and Le Van Bay, the chief of Station 3, MAPFEC. The crowds of cadres and people who attended the trial welcomed the harsh sentence given to Tran Ty. The public also demands that the agencies responsible take appropriate disciplinary action against the leading cadres at the MAPFEC who allowed Tran Ty to control things, which had serious consequences.

Further on Tran Ty Case

Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 15 Apr 87 p 2

[Article by Manh Tung: "The Case of Tran Ty and the Lessons To Remember"]

[Text] The Biography of a Reborn Fox

Tran Ty, whose real name is Khuu Luong, was born in 1932 in Bac Lieu. He is Chinese by ancestry. He lives at 20 Le Quang Liem, Precinct 6, Ho Chi Minh City.

Prior to liberation, Ty served as the director of the Hai Thong Enterprise. He became well known for his dishonest dealings in Chinese business circles in the Cho Lon area. Tran Ty forged close ties with many "important people" in the former regime with the aim of making money. After liberation, he looked for ways to join with other bad elements and participated in a reactionary

organization. As a result, the revolutionary authorities sent him for reform. At the reform camp, Tran Ty met Du Thien, a big bourgeois who was in jail for the second time for crossing the border illegally.

Three years later, after being shown leniency by the state, Tran Ty returned and went to work with a number of cadres in Hau Giang Province. Ty tried to show that he was a bourgeois who had "shed his skin." He gained people's trust in purchasing export agricultural products. From his "bridge" in Hau Giang, he served as a middle man and then managed to get a job with the MAPFEC. Using clever means, this "fox" became a "talented cadre" who worked "ably" for the corporation. In his capacity as the person responsible for the technical processing of export goods, he didn't have to be paid a salary. The director of the corporation ignored the elementary principles of management and used Tran Ty in a very irresponsible manner. He allowed him to establish a station to purchase local agricultural products. The chief of this station, known as Station 3, was Le Van Bay, a state cadre.

The corporation fell into the trap set by Tran Ty. From the very beginning, the activities of this "bridgehead" purchasing station were controlled by Tran Ty. He organized and directly controlled almost 40 small stations, called "satellite stations," subordinate to Station 3. More than 2,000 people worked at these satellite stations. These people were all handpicked and paid by Tran Ty. The station chief, Le Van Bay, was too trusting and allowed him to do as he wished.

Used Commodity Fund of the Corporation, Disrupted Markets

After being "charmed" by Tran Ty, the director of the MAPFEC turned over the corporation's large commodity fund and much cash to Tran Ty so that he would have the "power" to carry on activities on municipal markets and in neighboring provinces. Tran Ty used the commodity fund, which included many scarce types of goods of the state such as chemicals, cloth, beer, cigarettes, cement, asphalt, and dyes, and sold these items on the free market at a high price. He set the prices himself and pocketed the difference, claiming that he was "using the money" to purchase export goods for the corporation. Take chemical products, for example. According to the testimony of Tran Ty and Du Thien, he arbitrarily set the price 10 times above the stipulated price. The stipulated price of asphalt is 32 dong per kg, but he set the price at 370 dong.

Tran Ty also used the corporation's commodity fund to engage in private business dealings. He cooperated with Au Trung Ban in establishing a so-called "processing center" to process frozen shrimp for the corporation. He took the profits obtained from selling commodity fund goods at higher prices and spent an additional 200,000 dong to purchase machinery. Tran Ty and Au Trung Ban used the name "Sieu Suat" to engage in private trading activities and make additional illegal profits.

Using the above "hanging goat heads and selling dog meat" style of work, Ty and Ban made a profit of more than 3 million dong. When Tran Ty was caught, it was calculated that the corporation still "owed" him 16 million dong! This is the amount that the corporation had contracted with him to process frozen

export goods. During the period October 1986 to March 1982, on the order of the corporation, the corporation delivered commodities worth 184,042,000 to Tran Ty and gave him 6,568,000 dong in cash for a total of 190,610,672 dong (which was the equivalent of 30,000 ounces of gold at that time).

Actually, the 190 million dong in commodity funds that fell into the hands of Tran Ty made the corporation a handsome profit in dollars. Converted to dong, the amount turned over to the corporation by Tran Ty amounted to 197,082,000 dong. But this profit was not enough to compensate for the damage done to the markets by Tran Ty and his accomplices. This does not include the fact that Tran Ty made a profit of more than 12 million dong (according to Tran Ty's testimony in court).

The reason why Tran Ty was able to expand his operations so quickly was because he had already built a "staff" and had the ability to "change colors." His accomplices were Du Thien, his "political advisor," who was in charge of chemical technology for Ty and who had been in prison on two previous occasions; Ly Lap Thanh, an experienced businessman in Cho Lon who specialized in receiving commodities from Tran Ty and contacting private merchants in order to sell the goods at high prices on the free market; and Truong Van Tai, a currency and commodity smuggler who specialized in selling commodities and then purchasing dollars for Ty and hiding commodities in illegal operations.

Concealed 56,700 Dong in Illegal Profits

Starting emptyhanded after his release from the reform camp, in less than 6 months Tran Ty controlled millions of dong and made a huge profit for himself. Each day, in his dual capacity with the corporation, Tran Ty paid out more than 1 million dong in cash to his lackeys to have them purchase export goods and push up prices.

Goods from the provinces found their way to the production installations controlled by Ty. He also signed contracts to process export agricultural goods for the southern provinces. Based on this, he required the provinces to repurchase 30 percent. Tran Ty said that these goods were used to "establish a commodity fund" to engage in speculation and raise prices when engaging in commercial activities with the state. When he obtained a large sum of money, Tran Ty gave Ly Lap Thanh 2,350,000 dong to purchase \$50 million in order to "establish a nest egg for himself for the future." According to the testimony of Ly Lap Thanh, Ty ordered Thanh to send the dollars to the restaurant of Dung Sieu, Ty's adopted father, for safekeeping. When Tran Ty's house was searched, the agency responsible found another \$6,800. Altogether, using his cooperative position with the state, Tran Ty purchased \$56,700 for his personal use. Besides this, a number of export-import corporations in the southern provinces still "owe" Ty more than 10 million dong. After his arrest, Ty's storehouses, which are located at tens of his "centipede-like stations," were found to contain goods worth more than 20 million dong. Thus, altogether, in just 6 months, Ty managed to make a profit of 45,225,150 dong and \$83,011.

A Large Loophole Surrounding the Use of Tran Ty

Clearly, the organization responsible for using and controlling Tran Ty was the MAPFEC. But in many cases, including both large and small tasks, the corporation allowed Ty to do what he wanted. Also, it did not check into his background or check to see if he was engaged in any shady activities. There were 40 storehouses scattered about the city that were directly managed by Tran Ty under the "corporation's name." But Actually, the corporation did not manage any of these storehouses. It did not even know where these storehouses were located!

Tran Ty's main task was to oversee the technical processing of export goods. But Ty penetrated deeply and gained control of the commodity fund here in order to sell goods at high prices and make an illegal profit.

As for management responsibilities, clearly, the corporation had serious shortcomings and did not monitor Tran Ty's activities. Ty used a variety of methods to fool the director and the accounting, financial, and materials cadres of the corporation. "Station 3" provided Ty with a firm position as far as his "credentials as a juridicial person" were concerned. This allowed him to disrupt organized market management.

The indictment by the Municipal People's Organ of Control and the accusation by the Municipal People's Court stated that "this responsibility belonged to the leading cadres of the MAPFEC, specifically the director of the corporation, Nguyen Dac Phu, the head of Station 3, Le Van Bay, and a number of other corporation cadres. The above actions show a "lack of responsibility, which had serious consequences." But because of the city's circumstances and because these cadres lacked experience in managing and controlling things and in checking the degree and nature of unlawful activities, both the Municipal People's Organ of Control and the Municipal People's Court agreed that there was no need to investigate the above cadres on criminal charges. They recommended that the agencies responsible take appropriate administrative action against them.

This major economic case involving Tran Ty and his accomplices has provided socialist economic-business managers with a valuable lesson.

Although the Municipal People's Organ of Control and the Municipal People's Court did not try Nguyen Dac Phu, the former director of the MAPFEC, along with Tran Ty, because he had "lacked a spirit of responsibility, which had had serious consequences," during the trial, Phu had to answer the questions of the court many times.

Using the business management experience and excellent skills and mobilizing the capital of the bourgeoisie in the production sector is a correct policy of the party in the present stage. Many bourgeois have awakened and clearly understand the country's difficult situation. In response, they have placed their factories, capital, and skills at the disposal of the revolutionary regime. Many people are engaged in cooperative business activities with the state, or they have invested capital in production in accord with the policies

and stipulations of the state in order to contribute to rebuilding the country. This is to be applauded. But along with this, a few people still miss the old, corrupt society and want to enrich themselves in ways harmful to the cause. They are prepared to join with destructive elements and regressive cadres in making use of the difficulties and loopholes to cause great damage. Thus, being negligent and not being vigilant will have terrible consequences.

The case of Tran Ty is also a very valuable lesson for the bourgeois who are engaged in a variety of production and business activities with the state. Only by making a living legally can they contribute to enriching the fatherland and benefit themselves and their families. This is the only way to ensure stability in making a living.

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RAW MATERIALS ISSUE NEEDS GREATER EMPHASIS

Hanoi QUAN DOI NHAN DAN in Vietnamese 16 Apr 87 p 3

[Article by Dr. Tran Manh Tri, Vietnam Institute of Chemistry and Sub-Institute of Science in Ho Chi Minh City: "Proper and Basic Strategy Needed in Resolution of Raw Materials Problem"]

[Text] Energy and raw materials are two key issues in production development and are among the departure points for defining a socioeconomic development strategy.

Resources are not yet raw materials. Consequently, although we have many valuable resources, the nation's production sectors are still suffering from a shortage of raw materials, production is extremely unstable and sluggish, and not one basic unit is operating at full design capacity. One major reason for this situation is that to the present time, we still have no strategy for developing the raw material industry. Meanwhile, because exports consist primarily of raw resources with little labor or technical content, export value is extremely low. The reason here is also lack of a raw material development strategy. Below are a few typical examples:

--Annually, the laundry soap corporations and joint artwork enterprise in Ho Chi Minh City must import hundreds of thousands of tons of sodium lauryl sulfate (SLS) at prices up to 3,000 dollars a ton from capitalist countries while this substance can be produced from coconut oil. The export price of coconut oil at this time is 200 dollars a ton. Consequently, if a raw material industry existed to produce SLS from coconut oil to supply the entire nation, we would annually simultaneously have raw materials to ensure production, would save untold amounts of foreign exchange, and could export a product of high value.

--The oil and gas exploratory drilling and extraction industry annually uses hundreds of thousands of tons of bentonite clay as drilling mud. We must buy bentonite clay from the Soviet Union at a time in which Di Linh bentonite is an extremely valuable resource (with a montmorillonite content of more than 85 percent). Why don't we swiftly build an industry to process and produce baked bentonite to supply the domestic drilling sector, and to export because the world requirement for this product is extremely large?

A raw material industry relies on resource strengths which generally speaking are favorable. However, it does not rely solely on readily available resources. Not one country has sufficient resources to create the raw materials to nurture the production of its own country and exports. If strategic resources are not available, they must be imported to create raw materials. The Japanese raw material industry is a typical example. Japan has very few resources but the raw materials for production sectors and even for export are extremely abundant.

Of the strategic resources, petroleum is of special importance. With petroleum and an industry to process it, fuel is available for production, communications and transportation, and national defense requirements as well as fuel for industry and the daily activities of the people. Importing petroleum to create fuel is easy but importing fuels (gasoline, lubricating oil and fuel oil) which are strategic materials, is extremely difficult and restrictive. Even while the cost of crude oil is going down, the cost of gasoline, oil and other petroleum products never declines. Most important of all, with petroleum and a petrochemical processing industry, sufficient raw materials (more than 80 percent) would be available for the chemical production sectors to create products serving the entire national economy.

For this very reason, to develop the economy and society, and to maintain the security and national defense of a nation, the first task is to establish a petroleum and chemical processing industrial sector. The debut of this sector is a guarantee stabilizing and satisfying fuel and raw material requirements. Importing crude oil is many times easier, simpler and more economical than importing all the products processed from it: gasoline, oil, asphalt, plastics, chemical fibers, fertilizers, insecticides, external activators, solvents, raw materials for paints, adhesives, treatment drugs, pigments, etc. It is impossible to imagine a nation wanting to firmly and totally develop its economy that must rely on importing all its raw materials, intermediate products and finished products requiring only processing into goods! Consequently, nations have quickly chosen the route of importing crude oil for processing (refining and chemical isolation). Cuba became a victorious revolutionary nation after ours but at the present time, after a period of only 10 to 15 years and with simultaneous oil exploration, has constructed three oil refineries: one in Havana, one in Cabaiguan and one in Santiago with a total annual capacity of about 10 million tons on the basis of crude oil imported from the Soviet Union.

Therefore, in our case, the position that construction of a petroleum processing industry should wait for the results of petroleum exploration and exploitation on our continental shelf is too slow and has led to a production situation of confused and sluggish shortage in fuel and raw materials. This situation will last until the oil refinery and petrochemical production venture at Tuy Hoa begins operation. Thus, parallel with firm coordination with the Soviet Union in petroleum exploration and exploitation, truly rapid acceleration of the rate of construction of the oil refinery and petrochemical production ventures of the entire country or of the southern area is extremely urgent.

Nevertheless, a major difficulty in rapidly building a raw material industry on the basis of oil and gas is the demand for a large initial investment which would probably exceed the strength of our nation at the present time. However, if we know how to exploit capabilities through economic interchanges with foreign countries, first of all the nations of Southeast Asia with strong petroleum and chemical industries, and through economic association with and the contributions of other areas in the country as well as overseas Vietnamese, such as in the model lesson of the Tri An Hydroelectric Plant construction, the difficulties in investment capital can surely be resolved.

Besides oil and gas, it is necessary to rapidly invest in the construction of a raw material industry on the basis of fatty and essential oils (coconut oil and oil of turpentine are the most important objectives) as well as on the basis of large deposits of inorganic minerals to both create raw materials for production sectors in the country and to create products of high export value.

Generally speaking, all of the natural resources in each area of the country must be examined and selected as a basis for firmly and totally constructing a raw material industry to create a bridge between resources and the sectors producing commodity products.

Our policy of raw material development is not only to calculate production of raw materials from domestic resources aimed at totally replacing imported raw materials but is primarily to examine and define those things that must be imported and those that can be partially or totally replaced aimed at fully supplying production requirements. For those products produced on the basis of domestic raw materials which achieve high quality, the state and local areas must have an incentive policy in taxes and prices. There must be bold presentation of prizes or bids for research plans and projects aimed at creating new trades in the nation to produce new domestic raw materials which we have never had although they have probably nothing new to the technology of foreign countries. Parallel with these methods, it is clear that we must coordinate with the Council of Economic Mutual Assistance in the construction of facilities for the processing and use of raw materials to create valuable raw materials for export, especially from tropical natural resources (fatty oils, essential oils, latex, etc.). Moreover, interchanges and cooperative relations in science and technology with other nations in the area of Southeast Asia can also permit us to acquire their experience in the exploitation and use of tropical natural resources in production and for export on the world market during the next few years. We cannot stipulate beforehand the form and scale of raw material production organization. However, one important principle that must be followed is that the production base must be closely connected with resources and the consumption market (production and export requirements). On the basis of true economic association between provinces and cities and with methods for attracting capital from foreign countries, economic regions and territories with special resources certainly have the capability to construct raw material facilities with sufficient strength to answer the requirements for producing and exporting products of high technical content.

In short, we must have a total and basic solution for creating a strong raw material base for the requirements of production. If the raw material problem can be solved, we surely will create a basis for successfully achieving the three major economic programs of the nation that were outlined by the Sixth Party Congress.

READER PROPOSES CASH SHORTAGE SOLUTIONS

Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 10 Apr 87 pp 1, 2

['Speak Frankly, Speak the Truth' column by Le Van Thai, 4th Precinct:
"Suggestions on Methods of Solving Cash Shortage"]

[Text] Before 1975, the commercial banks at times had to deposit up to 55 percent (40 percent in cash and 15 percent in treasury bonds) of customer deposits in the national bank in order to guarantee those customer deposits. Thus, the banks had only the remaining 45 percent to make loans. They made loans to each other to compensate for the 55 percent shortage in the short-term money market held daily by the international bank.

The measure of circulating additional paper currency to resolve cash shortages in fact could not be applied in banks before. It was only a method for stimulating economic development (in the case of West Germany). The general and local treasuries themselves must provide immediate cash support to banks if there is not enough to repay customers with subsequent accounting to the national bank because it provides the final guarantee for customer deposits.

The cause for the bankruptcy of banks after 1975 was actually the inevitable consequence of dissolving the banks, causing treasury bonds to lose their drawing value and preventing their use in requesting loans.

Consequently, not all the responsibility for the present cash shortage can be blamed on the operating procedures of banks. It is related to methods of organizing the credit, finance and monetary system and the business system in general.

I suggest that:

1. Additional specialized banks (industrial development banks, agricultural development banks, etc.) must be established to divide up the load of the precinct, district and municipal state banks. Each type of bank must have a central office and branches.
2. Open additional branches for present precinct, district and municipal state banks. For example: the 1st Precinct Bank (Le Thanh Ton branch), the 3d Precinct Bank (Nguyen Dinh Chieu branch), etc. If a bank is operating fairly

well and with prestige, provide the authority to open additional branches anywhere. For example: the 1st Precinct Bank (Hoc Mon branch), and the Tan Binh Bank (Thu Duc branch).

3. Disband the savings tables and points and combine them into a central bank or branch (the flimsy offices of savings tables cause a loss in customer confidence). The professional style and standards of bank personnel and the external appearance of bank offices are necessary for every credit business activity.

4. Payment in cash or funds transfer are of equal value once the bank is forced to cash a check for a customer that is presented within a legally stipulated period. Business units (whether large or small), banks and agencies are forced to accept, no matter what the form of payment, when the amount of money is from 5,000 dong and up.

5. Establish a short-term monetary market in the Central State Bank to represent banks meeting each other at a definite time each day to borrow money from one another at low interest and for truly short periods of time (24 hours). The representative of the Central State Bank will direct this market because it holds the end of day treasury reports of the banks.

6. Each state bank must become a business unit, state-operated commercial bank or joint state-private enterprise. The state will only invest an initial minimum amount of capital, subsequently calling for additional shares from the people and overseas Vietnamese:

--It must live and operate primarily on the deposited money of the people and exist through returns from bank services: short-term loans, ensuring proper customs fees for packages and parcels, using the import files of freight lots en route as collateral, etc.

--Security deposits (40 percent for example) must be made in the Central State Bank to guarantee the deposits of the people.

--When there is credit, reasonable interest rates and nearly the same number of customer deposits and withdrawals, the fear of insufficient cash in hand for cashing checks no longer exists.

--Where an emergency shortage of cash occurs, the Central Bank, treasury and short-term money market must provide immediate support to avoid a loss in customer confidence. Afterwards, the Central Bank will establish a balance through compensatory funds.

--A customer wishing to withdraw a large sum of money (1 million and up) must provide 24 hours prior notice for the bank to make timely preparations, to alert the Central Bank to borrow from the short-term market, etc.

--A bank unable to promptly provide funds to a customer must be sanctioned in accordance with banking law or must suffer the fate of a unit with a loss of capital and prestige: be disbanded (similar to the former bankruptcy) with the Central Bank guaranteeing the total return of customer deposits.

7. Every citizen has the right to use checks as a means of payment. Private operators and production and business units all have the right to open (no interest) checking accounts, assisting banks in acquiring an additional large amount of money. If there is fear of receiving a check with no funds in the account (previously called a worthless check), the check receiver may request payment in a check marked to guarantee cash when the check is presented (previously called a barred check).

8. The bank permits familiar and prestigious customers to write checks to a certain level above their account balance. The bank calculates interest on this overage, called a temporary overdraft. Temporary overdrafts for a period of 7 days have certain advantages: customer prestige is ensured, the bank collects interest, the customer avoids cash payments, etc.

9. Expand forms of bank service permitting customers to avoid payments in cash but to still purchase and receive goods (for example: issuing guarantees that if the customer does not make payment in 15 days, the bank will); and become flexible within the various professions (for example: transferring funds by telephone).

10. Promulgate new clear and specific regulations soon on banking operations that can be successfully achieved in actual practice. Avoid the promulgation of unorganized stipulations that cannot be applied in actual practice and increasingly cause a loss of confidence in the credit system: the greatest confidence is to ensure immediate withdrawal under every circumstance with deposits guaranteed against loss by the state.

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HANOI INCREASES EXPORT CARPET PRODUCTION

Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 10 Apr 87 p 3

[Unattributed article: "Hanoi Produces Export Handicraft Goods"]

[Text] Promotion of export goods production is one of the significant cutting edges about which Hanoi has and is actively renovating methods of thinking and doing, in order to create in the next few years a worthwhile change in all the foreign economic relations of the city. In speaking of Hanoi exports, one cannot help but mention the small industry and handicraft sector, one of the economic areas which annually has and is contributing a volume of products accounting for about 55 percent of the total export industrial goods output of the city.

300,000 Square Meters of Jute Carpet of All Types

With 30 cooperatives, 4,500 laborers and 2,400 looms, this year the craftsmen of Hanoi have agreed to deliver to the state 300,000 square meters of jute carpet of all types, an increase of 77,300 square meters over the 1986 production level. For many years, shackled by many old mechanisms and policies with slow repair and replacement, the jute carpet output of Hanoi not only did not rise but steadily declined. Many cooperatives have not emphasized introduction of technical advances to production, the situation of low labor productivity has been prolonged, especially in weaving the "Long Bien" type of jute carpet, and because laborers did not make enough to eat, production was sluggish. With the painted jute carpet, a type of product easy to make, fairly higher productivity was achieved but the distribution market was gradually lost because goods production was fast and impetuous, quality was neglected and foreign customer confidence was lost. By 1990, output could be increased from 420,000 to 500,000 square meters of carpet of all types, a large part composed of Long Bien carpet, and proposals have been made to Hanoi for prompt investment in construction of a jute twisting operation to prepare raw materials for production. On the other hand, because Hanoi is near a general goods receiving corporation, basic units have been assigned to sign direct contracts with the general corporation, eliminating intermediate steps and reducing expenses in order to increase the income of the laborer.

80,000 Square Meters of Thick Wool Carpet

With 75 production units, 6,500 laborers and 3,300 looms, the wool carpet weavers of Hanoi this year have agreed to deliver 80,000 square meters of thick wool carpet to the state, an increase of 5,500 square meters over last year. Nevertheless, because this product is produced on consignment for foreign countries, the amount of material supplies and fuel supplied for the past several years has been sufficient only to weave from 60,000 to 70,000 square meters each year and production capacity has not been fully exploited. By 1990, Hanoi will achieve about 100,000 square meters of thick wool carpet, and along with consignment production for foreign countries, Hanoi has a plan for developing a lusterless wool carpet product with independently acquired foreign exchange capital for sale in the western European market for strong foreign exchange returns.

400,000 Square Meters of Corn Silk Carpet and Twisted-Woven Corn Silk Mats

This is one of the products about which Hanoi can be totally positive because of its fairly large corn cultivation area. On the other hand, development of this product does not require much capital investment. All labor forces, from retired cadres, individuals in poor health and students in the inner city to idle labor in the suburbs can be used. The Hanoi craftsmen can produce about 400,000 square meters of corn silk carpet and mats of twisted and woven corn silk. However, there are presently many obstacles in collecting and processing raw materials, in corn silk procurement prices, and in work points for those engaged in making this product in the agricultural cooperatives.

The craftsmen of Hanoi this year have agreed to deliver to the state 400,000 square meters of corn silk carpet and twisted-woven corn silk mats, an increase of 20 percent over 1986, creating a premise for achieving about 500,000 square meters by 1990.

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BRIEFS

MINH HAI PROVINCE--Minh Hai Province has established 126 agricultural production associations, each with 200 to 300 hectares of cultivated land and 400 to 600 laborers. The associations have created conditions for production collectives to have additional laborers, material supplies, capital and production equipment; and to give attention to inner field water conservancy, field transformation, application of technical advances to production, and expansion of public welfare projects such as schools, dispensaries, child care centers, etc. Thanks to that, the lives of the collective members have been gradually stabilized and improved. [Text] [Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 10 Apr 87 p 1] 7300

HAIPHONG PRODUCTS--This year, the small industry and handicrafts sector of Haiphong has accepted a plan to produce 550,000 million dong worth of consumer and export goods, an increase over last year of 10 to 16 percent. The Municipal Federation of Cooperatives has joined related sectors in defining quality and assisting basic units to establish and perfect industrial regulations for the wholesale production of 154 new good quality and beautiful products to answer domestic and export requirements. [Text] [Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 10 Apr 87 p 1] 7300

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