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21 JUNE 1988



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FEDERAL REPUBLIC OF GERMANY

Diepgen Assesses Berlin's Role in Intra-German Relations

36200110a Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 6 May 88 p 7

[Unattributed report: "Intra-German Relations via Berlin—Governmental Statement by Diepgen. Hopes for Numerous Air Links"]

[Text] Berlin, 5 May. Governing Mayor Diepgen (CDU) is of the opinion that the future of intra-German relations, with the inclusion of Berlin, lies in working out and implementing as many projects as possible. During a governmental statement in the city hall in Schoeneberg on Wednesday, Diepgen said: "We need an enmeshment of relations between the two states in Germany, utilizing Berlin as the anchorhead." This, he said, was the course for the 1990's.

Especially in recent times—according to Diepgen—favorable conditions had been created for this course. In matters ranging from natural gas and the electric power network, long-distance heating, fiber glass compounds, all the way to railroad negotiations and air traffic, the [West Berlin] senate was engaged in reducing some of the city's insularity as well as the prejudices prevailing regarding the city's location. These efforts were directed above all toward the West. The goal of the senate's politics vis-a-vis the East, according to Diepgen, was to integrate the city into intra-German relations, which could not be broken again or retracted by one side without causing substantial damage to the other.

Diepgen attached special significance to the Berlin initiative of the Western protective powers. President Reagan would make the Berlin initiative a point on his agenda at the upcoming summit meeting in May, he said. Reagan's initiative would go beyond the expansion of the corridor air traffic to Berlin. Its goal was to open up the western part of Berlin particularly in the area of north-south traffic and toward the east for non-Allied airlines as well. The Allied air traffic in the corridors would not be affected by this, which would not rule out, however, such improvements as adapting the corridor traffic to state-of-the-art technology, by changing the flight altitude, for example.

Following agreement on these questions by the Allies, an intra-German understanding relative to the establishment of a normal intra-German air traffic with the inclusion of Berlin would be possible and necessary. In the process, the Federal Republic of Germany [FRG] and the German Democratic Republic [GDR] would each have to grant overflight rights to the other. This would mean that the GDR would grant overflight rights outside the Allied air corridors for approaches to Tegel [airport]. Independently thereof, non-Allied airlines would require the approval of the four powers for entering the Berlin control zone as well as the granting of

landing rights for Tegel by the three protective powers. Here the senate deemed it proper, "under certain preconditions," to reach a reasonable work-sharing arrangement with Schoenefeld airport.

Diepgen warned against the consequences of a growing technological, economic and also social gap between East and West. "Our thinking exclusively in categories of the European Economic Community [ECC][as printed], the establishment of an ECC domestic market, the coalescence of an ECC technological community—all this must at all times consider the possible participation of the eastern part of Europe, even if de facto participation is today not yet possible." In addition to the wall of stone, a second "sort of technological, electronic wall" between East and West should not be permitted to grow. And in all these pursuits, according to Diepgen, the West should not lose sight of the basic and deep-seated ideological and political differences. Creating a meshwork from below would not mean obscuring the ideological differences.

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Albrecht Reform Plan Causes Concern in Lower Saxony CDU

36200108 Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 7 May 88 p 12

[Article by Joerg Bremer: "Albrecht in the News—State Interests in Lower Saxony in Conflict With Loyalty to the CDU"]

[Text] Hannover, May 1988. Prime Minister Albrecht has not changed: his plea for a partial shift to the Federal government of the social aid burden being paid by the municipalities and being indirectly borne by the Federal states comes as no surprise. In the early summer of 1986, when Albrecht lost his absolute majority in the Landtag [state parliament] and managed to remain in power only by entering a coalition with the politically not too far removed Free Democratic Party [FDP], many people feared that he was fighting a losing battle. Albrecht wanted one day to become chancellor; anyone aspiring to this end must have the backing of his party nationwide and must have a following dedicated to his cause. This Albrecht was not able to do. Nor was he able to make up for the deficit by making Lower Saxony into a second "exemplary state" [Baden-Wuerttemberg being the first]. It did not become a "state of wealth and opportunity"; persons advancing professionally more likely than not left the state and headed south.

After the Landtag election in 1986, Albrecht retired to his country house. He read books, which prompted him to invite the philosophical world to Hannover to attend a congress on mind and nature. It was time of contemplation. The government in Hannover was groping its way from one setback to another. The Christian Democratic Union [CDU] members of the Landtag besieged

the prime minister with economy measures. The anniversary celebration of the University of Goettingen degenerated into statewide demonstrations against tuition fees, which then were never introduced. Albrecht did not seem to be moved by all this. Meanwhile, however, an energetic team in the Finance Ministry, headed by Frau Breuel, had compiled statistics on the economic and financial [regional] differences within the republic.

According to these statistics, the economic strength of the northwestern area from 1970 to 1986 fell as much as one-third behind that of the south. While in 1971 the northern states still had a DM31 per capita fiscal edge over the southern states, this trend has gradually been reversed; in 1986, a deficit in the northern states of DM91 per inhabitant was ascertained. The unemployment rate rose in North Rhine-Westphalia, Schleswig-Holstein, the Saarland, and the city states [Bremen and Hamburg], in some cases to more than twice that of the south. That caused the social aid burden to soar. In 1970 the northern states paid out only DM16 more per inhabitant than in the south; by 1985 this figure was already up to DM140. Indebtedness rose and the investment capability declined.

If 50 percent of the social aid burden were now to be assumed by the Federal government, the states would once again have more money for investments. The southern states have, nevertheless, figured out that the change would bring them disadvantages, since 4 percent more of the sales tax than at present are to go to the Federal government as compensation. Albrecht, on the other hand, presents these figures: The Federal government needs DM15 billion for social aid and additional costs for Europe. Raising the crude oil tax by 20 Pf would yield DM11 billion, and an increase in the tobacco tax another DM500 million. These are figures that Bavarian Prime Minister Strauss has now also cited.

In July of last year, the finance experts along the Leine [river] declared that the federalist welfare and subsidy state should be restructured. At issue then was not just the question of adjusting the finances between the Federal government and the states, nor increased supplementary grants. The debate was conducted in a lukewarm manner, and Albrecht did not mind. At the turn of the year 1988, he began his travels to the state capitals. His wish was "not to rebuff, but convince." From the figures arrived at by his experts, the prime minister formulated his plan. Now he again had a political goal. With a "passion for the cause," he tackled the "most difficult task of his political career."

In the process, state borders were of no concern to him. Especially North Rhine-Westphalia would benefit from Albrecht's plans, it was claimed. Critics charged him with offering a reward for poor state politics. This

applies least of all to Lower Saxony. But against the backdrop of historical change, the northern states are falling ever farther behind the southern states in economic and social respects.

For months the subject has been broached in the state capitals, but it is becoming really acute only now. Many people probably believed that the matter would resolve itself quietly. Now, however, irrelevant counterarguments are receiving the most attention, even though many legitimate ones could be used. The current debate centers more on the charge that deputy CDU party chairman Albrecht, with his initiative, is becoming overly familiar with state chiefs belonging to the Social Democratic Party [SPD]. This debate was kicked off in the Lower Saxony CDU between members of the Bundestag and of the Landtag. There were charges that the Bundestag members from Lower Saxony were not making enough of an effort for their own Federal state.

The debate over social aid threatened to aggravate a conflict that has already been simmering for some time: Hannover's lobby in Bonn is too weak, it was charged. But the party directorate was able to resolve this conflict. The CDU Bundestag members from Lower Saxony will not vote against their parliamentary group. However—so it is said—they are supposed to bring their weight to bear on behalf of Albrecht's model, and they plan to do just this.

Albrecht's calculation will be correct only if he threatens to have Hannover block the tax reform measure in the event the social aid reapportionment is rejected. Officially, to be sure, he disassociates himself from this connection; he views himself as a father of this reform. But without financial assistance it cannot be paid for by Lower Saxony. The internal party quarrel is serious. Albrecht makes no secret of this. But he considers himself innocent. This matter was introduced by him early enough, he claims, and the public was even excluded in the interest of an internal settlement.

For Albrecht, the structural reform may perhaps be even more important than party loyalty. If the priorities were different, he says, then many changes could not be implemented. The difference in investment capability between the northern and the southern states, the relocation [assistance] policies of the states, structural problems between urban and rural areas, and concern over special waste removal: these are all topics in which the regional interests have a greater impact than internal bonds within the party. Initially, however, Albrecht is leaving it up to the chancellor to solve the problem. For his own person, he claims the credit for having gotten things rolling.

Members of CDU Youth Organization Indicted
36200127a Berlin TAGESSPIEGEL in German
21 Apr 88 p 13

[Article by btz: "Right-Extremist Incidents on Trip of CDY Youth Organization Lead to Indictment"]

[Text] The right-extremist incidents which occurred on the trip by the Berlin Junge Union [CDU youth organization] to hear the speech by the U.S. President in front of Hambach castle in May 1985 now have their legal consequences. The state attorney's office indicted before a juvenile court three of the participants, aged 28, 23 and 19, for using symbols of unconstitutional organizations and, in the case of the 28-year-old, also for incitement of the people. At the center of the indictment are two incidents in the Frankfurt "House of Youth," where about 50 young Berliners, mostly members of the Junge Union, spent the night.

In the early evening, at least eight of the participants are supposed to have greeted other guests in the hall of the hostel with the words "Heil Hitler" and "Sieg Heil." The three defendants are alleged to have taken part in this. The other participants in this neo-Nazi greeting line could not be ascertained, despite the interrogation of more than 30 witnesses. Upon questioning, a justice spokesman declared that the police had problems in getting the list of the participants from the CDU youth organization.

According to court findings, after a night stroll through Frankfurt some drunken members of the traveling group then roared through the hostel, accosting women and girls. In this context, justice officials speak of vandalism whereby a closet door was demolished. During these incidents occurring between 0130 and 0300, according to investigations several participants stood at third-floor windows and sang all three verses of the German national anthem [Deutschlandlied]. They shouted slogans such as "Heil Hitler," "Sieg Heil," "Foreigners Out," "Turks Out," "Fuck Off" [sic], at some bystanders, possibly English or American. At the end, the Nazi's Horst-Wessel song allegedly was chanted.

The 28-year-old defendant is accused of having shouted "Foreigners Out," which he does not deny. The 23-year-old is said to have yelled "Sieg Heil." According to information by the justice spokesman, the three defendants were confronted the day after the incident by the Junge Union Land chairman, Dombrowski. The 28-year-old, however, only left the CDU in November 1985, after the incidents became known through a report by the FRANKFURTER RUNDSCHAU.

According to information by justice officials, the 23-year-old man is still a member of the Junge Union; the 19-year-old, according to statements by the present Land chairman of the Junge Union, Gunnar Sohn, was either

expelled or left of his own volition. Sohn announced that expulsion proceedings for the 23-year-old will be initiated before the party tribunal, should the accusations be confirmed.

9917

CSU Youth Leaders Call for Increased Political Participation

36200127b Munich SUEDEDEUTSCHE ZEITUNG
in German 10, 11 May 88

[Articles by Klaus Ott: "CSU Youth Organization Wants To Enliven CSU Through Competition of Ideas," 10 May 88; "CSU Rejects Chiding by CSU Youth Organization," 11 May 88]

[10 May, p 18]

[Text] The CSU youth organization [Junge Union] in Bavaria bemoans the increasing "superannuation" of all parliamentary representatives, from city councils to the European parliament, as well as among CSU elected representatives. Never before has the average age of representatives of all political leanings been as high as today, criticized Gerd Mueller, Junge Union Land chairman, in Munich on Monday before journalists. He called this circumstance one of the reasons for the "dramatic voter abstention of the young generation."

In addition to a rejuvenation of parliaments, Mueller also demanded of political parties a "renewal in style." "Party-internal forming of opinion" must become "more transparent;" criticism from within the ranks must be considered a "normalcy," not "lese majesty." The chairman of the Junge Union mentioned in this context that "our young people are no longer trained for democracy;" after all, democracy is a "competition of contending ideas."

"We still have an appeal for young people," Mueller declared self-confidently, referring to the annual growth rate of 3,000 to 4,000 new members of the CSU youth organization. But the organization is displeased by the fact that not even one-fourth of approximately 52,000 Junge Union members also carry the CSU party membership card. But that is "primarily a problem of the CSU," a "question of its profile." Mueller demanded that the party think about that, referring to the slogan that whoever does not attract today's youth will not supply the government of tomorrow.

Young Horses in the Race

The CSU youth organization is willing to give support. For the next Bavarian municipal elections in less than 2 years, they demand one out of five places on the CSU list of candidates for municipal and county councils. Furthermore, at least one candidate each under 35 years of age is to be put in a top spot, according to the motto that in addition to "old, experienced horses, foals should also

be allowed to trot." Gerd Mueller himself is galloping in the direction of the European parliament. The CSU youth organization nominated him as its top candidate and is fighting for his "inclusion" at the top of the CSU slate.

On the other hand, according to a resolution of the Junge Union Land commission, member of parliament and European parliament delegate Guenther Mueller is to be brought down a peg by giving up "immediately" one of his two seats. The Junge Union complains that Mueller's conduct is a "flagrant disregard" of party resolutions, a violation of "all political ethics," a "serious strain on the credibility" of the CSU, and lastly is based on "personal egotism."

Within the framework of the next cabinet shuffle, the CSU youth organization demands of the Bavarian government the appointment of a representative for youth affairs, preferably at the state secretary level (Thomas Goppel is Gerd Mueller's favorite candidate), who could then "centrally coordinate all youth questions." In addition, the government is to appoint a youth advisory board as a permanent consulting body. Furthermore, the young generation must be better "represented" than today on "public or semi-public bodies" such as the broadcasting board of the Bavarian Radio, the media council of the Land media center, the Bavarian senate, and the adult education centers. In large areas of politics, young people feel they are "no longer taken seriously," criticized Junge Union chairman Mueller, and this leads to the attitude of "without me." Entire "rising social groups" show no interest in getting involved in political activities.

But the Junge Union wants to help the upcoming generation not only with ideas and suggestions, but also through financial demands. It proposes introduction of a Land child-rearing allowance in Bavaria in the amount of DM600 per month for the second and third years of a child's life, subsequent to the federal child-rearing allowance in the same amount paid so far for the first year of life, for the extension of which the Land government is to apply to the Federal Council in Bonn.

At the Land assembly in Oberstdorf at the end of May, the Bavarian CSU youth organization wants to implement its proposal that parties should "come out of their self-insulation." Young people from all walks of life, from young trade unionists to groups in traditional costume, are attending the meeting with the "full right to free speech and discussion." Says Gerd Mueller: "We do not want to stew in our own morass—I take back the morass—in our own juice."

[11 May 88, p 27]

[Text] "One should not ring alarm bells with overly great frenzy or nervousness." Deputy CSU General Secretary Erwin Huber reacted with this admonition vis-a-vis the SUEDEDEUTSCHE ZEITUNG to the criticism by the

Junge Union; in view of the growing trend of youth refusing to vote, all parties would have to set off alarm bells. As we reported, Junge Union Land Chairman Gerd Mueller had linked this to a demand for "renewal in style, persons and political content" among all parties. The CSU would have to take into consideration why not even one-fourth of Junge Union members carried a CSU membership card.

Huber contradicted Mueller's statements with the remark that he had the impression that "youth sees it somewhat onesidedly." After all, 26 percent of all CSU members are under 40, 1,000 of approximately 15,000 CSU municipal politicians are under 35, and seven members of the Land parliament are under 40. In the last election, from the Land parliament all the way to the European parliament, the CSU as "the only party" had attained an absolute majority among young voters, and besides, younger politicians are very well represented in the Bavarian cabinet by state secretaries Goppel, Gauweiler, Glueck, Zeller and Stamm.

Analysis by the Allensbach Institute

According to Huber, the CSU also finds itself confirmed in its acceptance by the young generation in an analysis by the Allensbach Institute which states: "The CSU has held young voters, particularly young women, better than the CDU." From that one can conclude that the "impression of unanimity of the CSU and the authority of leadership are also attractive to the young generation and to women." Junge Union Land Chairman Mueller, on the other hand, had demanded that the party-internal forming of opinion must become more transparent, and criticism from the ranks must be considered as normal and not as lese majesty.

Deputy CSU General Secretary Huber countered that this admonition was hollow. There is intensive discussion within the CSU, and no one disparages criticism. Furthermore, the party's foreign policy congress a few days ago with its many young visitors was proof that young people come to Strauss. Also, in a long talk with the Junge Union Land committee before the party congress, CSU chairman Franz Josef Strauss was accorded unreserved agreement and applause.

Nevertheless, relations between the party chairman and the Junge Union chairman seem to be quite troubled. Last year, for example, Strauss in his capacity of minister president supposedly urged that Gerd Mueller—at that time employed in the press office of the economics ministry, but meanwhile working in a different department—be transferred to the Upper Palatinate. Mueller would then have been far from the political center of Bavaria and would thus have been robbed of a large part of his political clout.

Questioned about this by the SUEDEDEUTSCHE ZEITUNG, Huber stated that the minister president at that time had ordered the economics ministry to intensify its

on-site public relations work in the Upper Palatinate, particularly in view of Maxhuetten and the nuclear reprocessing plant. It had nothing to do with Mueller personally.

9917

Lambsdorff on Future of FDP

36200119 Munich SUEDEDEUTSCHE ZEITUNG in German 16 May 88 p 10

[Interview with Graf Lambsdorff, former economic minister, conducted by SUEDEDEUTSCHE ZEITUNG editorial staff member Udo Bergdoll; date and place not given; first paragraph is SUEDEDEUTSCHE ZEITUNG introduction]

[Text] In Bonn there is hardly any doubt that FDP Chairman and Economic Minister Martin Bangemann will join the EC Commission in Brussels in the fall. The former economic minister, Graf [Count] Lambsdorff—who, despite his involvement in the party donation affair, still wields considerable authority in the FDP—is regarded as his likely successor to the party chairmanship. However, because of his critical attitude toward Chancellor Kohl he would not become a member of the cabinet.

SUEDEDEUTSCHE ZEITUNG [SZ]: Graf Lambsdorff, we are not asking whether you want to become party chairman; we are asking the leading FDP politician whether the Liberals, after 11 successes and now two successive calamities in Landtag [state legislature] elections, are facing the onset of lean years?

Lambsdorff: This is not something one can project after two Landtag elections; especially not after two elections which started out from incompatible positions. Schleswig-Holstein, in the words of a shrewd observer, was a verdict and not an election. Baden-Wuerttemberg was a normal election under a specific constellation which may recur on any given day. Schleswig-Holstein will hopefully never happen again.

SZ: Was it correct, adhering to the analogy of a verdict, that in Kiel the FDP clung to the accused and was fully prepared to sink with the mismanaged CDU out of loyalty?

Lambsdorff: Our counterquestion was: Would it have been correct after the coalition statement in September 1987 and a coalition agreement based thereon, to recommend something else 7 months later? This would only have applied to the past and not to the future and not to a solution of political problems. After one has been to city hall, one knows better. Today, the question can be answered by saying that it may have been wrong. Wrong because the voters, surprisingly and not without reason, have returned a verdict on the past.

Not Everything Here Shines

SZ: You do not share the belief that Bonn also played a role?

Lambsdorff: Bonn politics, and the way it was presented, did play a role both in the Stuttgart and the Kiel decisions. I don't believe that we act correctly here. Looking at the image the coalition presents to the public—and the FDP is part of that coalition—one quickly draws the conclusion that not everything here shines.

SZ: Is it not true that Kiel confirmed the notion that the FDP has a chance only when it is in a position to provide a majority? This issue was not raised at all in Kiel.

Lambsdorff: In Kiel it was indeed a factor in the September election.

SZ: But apparently not any more in the new election?

Lambsdorff: That is because the new election was far removed from substantive issues, and building a majority is, after all, also a substantive issue. I am convinced that the functional argument—the coalition argument, the need to make a coalition statement—is of great importance to the FDP. But nobody should make the mistake of believing that we can receive votes only on the basis of this function. There must be reinforcement with substantive statements, with statements that have content.

SZ: Will the FDP once more be able to win a Bundestag election on the basis of foreign policy?

Lambsdorff: Let me put aside the question of whether foreign policy has won the Bundestag election. For me the clearest instance of foreign policy winning a Bundestag election was in 1972. This involved Willy Brandt, Walter Scheel, Ostpolitik [policy oriented toward the East] and policy relating to Germany. The FDP has, quite definitely, won some Landtag elections in the previous year because of Hans-Dietrich Genscher's successful foreign policy, especially disarmament policy, because the CDU was foolish enough not to respond correspondingly to the wishes of the electorate in a timely and correct fashion. Besides, both foreign and economic policy—and more often the latter—but also foreign policy can decide elections.

SZ: Will Hans-Dietrich Genscher's influence with Liberals change?

Lambsdorff: No, the FDP is committed to the foreign policy which Hans-Dietrich Genscher has articulated for us and which he has now successfully practiced for 1 and 1/2 decades while receiving world-wide recognition. In this domain Hans-Dietrich Genscher is, and will remain,

the dominant voice of the FDP. The FDP profits from the successful policies of the foreign minister who came from its ranks and it will make every effort—as will he—to continue doing so.

SZ: Does the FDP profit from the fact that it is regarded as a Party with two chairmen, a "regular" and a "secret" chairman?

Lambsdorff: I am glad you did not call it a regular and an irregular chairman. I do, of course, hear this talk about two chairmen time and again. Every chairman of a party—as the chairman of any group—is in a difficult position when a strong predecessor remains by his side and continues to occupy important positions. But I do not think that this has been harmful. The atmosphere, the internal party relationships, have developed very positively.

No Power Struggle With Genscher

SZ: Would it be good for the FDP if the team of Genscher/Bangemann continued to act in this vein until the next Bundestag election?

Lambsdorff: I see, you are posing some tricky questions. I have played this game before and am not so stupid that I don't recognize the ulterior meaning. First, we have to wait to see how the personality issue will develop. Anybody who counts on difficulties and problems arising between Genscher and other potential chairmen—and some people do—is making a mistake. We know, and this includes everybody under consideration, that we have to resolve ever-present differences of opinion among ourselves in such a way that they do not hurt the party.

SZ: That means no struggle for power?

Lambsdorff: No, absolutely not. Any power struggle within the party can only benefit the political opponent.

SZ: Does the FDP, to be fit for the 1990 Bundestag election, have to rejuvenate its leadership?

Lambsdorff: If you look at our average age, I don't think that you can talk about a state of senescence. Besides, I wonder how early retirement should now be applied to the business of politics as well.

SZ: You, in any case, are not thinking of early retirement?

Lambsdorff: I am not the type for early retirement and will not choose it. I believe that a sensible mixture of older—what does "older" mean? Is somebody like me at age 61 already in the "older" group?—and younger people is good for the party. There is one thing, however, that one should recognize: The average age of voters in the Federal Republic is steadily increasing. Their points of reference are trust, safeguarding their achievements

and keeping what they have worked for all their lives. In this sense—not with regard to party politics—they are becoming increasingly conservative. Many people in our country have at one time inherited something since 1948, sometimes twice—not enormous fortunes but a little bit—and they don't want to gamble with it. Trust in individuals is an important factor in politics and in the voter's decision-making process; a factor which will grow in significance in years to come.

SZ: What do you think of the idea that the Liberals should be the first party in the Federal Republic to place a woman at the head?

Lambsdorff: If this happened entirely from this point of view, it would resemble the concept of a female quota, which nobody in the FDP wants and which we all consider to be wrong. We leave this to the unions, to the Social Democrats. Such voices can even be heard within the CDU. We believe in complete equal opportunity and we practice it fully.

SZ: Why, when a new economic minister must be chosen, do you not want to join Kohl's cabinet?

Lambsdorff: If I may respond somewhat disrespectfully: I have had this job for 6 and 1/2 years. One should not attempt a rerun. This is one of the principles which I have adhered to all my life. In addition, as one of your witty colleagues once wrote: He could not possibly be as good an economic minister as people believe him to have been. There may be some truth in that.

If I become party chairman, I want to remain outside the cabinet. I do, of course, want to be involved in defining the political work of the coalition and, thereby, indirectly also in government, without being burdened by the many routine tasks accompanying a ministerial position. I know that the average citizen—and it can't be otherwise—sees primarily the glitter and glamor of a cabinet member's activity: festive dinners, conferences, getting into or out of large limousines, or even climbing onto airplanes. But this is only 25 percent of the reality. The remaining three quarters are routine work, many deadlines and the need to indulge in much empty talk. I have no desire to repeat this.

SZ: Does your disinclination also apply to the next legislative period?

Lambsdorff: You know that in politics one should never say "never." But there would have to be very surprising circumstances—which I cannot, at this time, envision—to make my decision in 1990 different from that of 1988.

SZ: Do work allocations and style play a role in the present cabinet?

Lambsdorff: Yes, to some extent. After all, everybody in Bonn knows that Chancellor Helmut Kohl—and I state this not as criticism but as a matter of fact—makes

political decisions to a large extent prior to cabinet meetings. This may be worthwhile and helpful in a coalition. One avoids disputes and debates during cabinet sessions, and if one can play a part ahead of time, which the FDP party chairman certainly can, one is also in a position to exert the degree of influence which a chairman of a coalition party must exert.

SZ: Does your conviction possibly play a small role here? You have experienced much solidarity within your party—nevertheless, does there not remain a heavy burden?

Lambsdorff: I have always said, and the party has shared my point of view, that the conviction in the donation affair—for acting exclusively in the interest of the party and not to put a single DM into my own pocket—in no way precludes acceptance of political office. I still maintain this.

No Clear Line for Kohl

SZ: You say that the FDP has to prevail with substantive issues. What are the substantive issues with reference to the Bundestag election?

Lambsdorff: There must be no room for conflicts with the coalition partner if we are agreed to implement the substance of the 1983 and 1987 coalition agreements. The course must be set for a longer term. In practice, I do not sufficiently sense what the chancellor, certainly with my approval, calls the "rejuvenation of the market economy." At this time, I need only observe what is, and what is not, working.

—The discussion concerning the store-closing legislation could play in a cabaret, and abroad it makes us the object of derision on the part of all observers who can be taken seriously.

—The discussion about health reforms points in the right direction but everybody knows that hospital discharges and the introduction of nursing care insurance to be paid with mandatory contributions are only dubious beginnings.

—Postal reforms do not keep pace with the consultant's report. I am amazed that there is no outcry whatsoever against the arrogant attempt of a union to prevent the cabinet, through an interlocutory court injunction, from adopting a bill. What have we come to in Germany if our rigidity, our paralyzed institutions permit such deliberations to be even thinkable and possible?

SZ: What is the Achilles heel of this coalition? It is hardly domestic or legal policies nor, in all likelihood, foreign policy. Could it be economic policy?

Lambsdorff: Yes, this is my opinion, but economic policy in the broadest sense. In the sense in which I treated it in September 1982 in my paper for Helmut

Schmidt. Economic policy viewed as a bridge to everything that relates thereto. Then we did, indeed, move in the right direction but hesitantly and often without sufficient determination, seeking compromises even within the coalition. I know that they are necessary, but did they have to be so extensive? Here many people miss a clear line and they miss consistency in necessary decisions. This, it seems to me, is justified criticism.

SZ: Can you image that you will draft such a paper again?

Lambsdorff: I said to my state-party chairman, Juergen Moellemann, who approached me about this at the State-Party Congress: For now, let us implement the first before I write the second.

Opposition to SPD Overtures for Close Ties

SZ: Let's return to foreign policy once more. You have said repeatedly that the SPD would have much to do before there could again be a coalition between the SPD and the FDP. Has an approach not been made already with regard to foreign policy? The SPD and FDP are also attending Erich Honecker's conference on nuclear-free zones but not so the union parties [CDU/CSU].

Lambsdorff: The FDP will let it be known there that it does not think much of nuclear-free zones in Europe. This is also true for our assessment of Hans-Jochen Vogel's appearance in Moscow. Now as then, there are profound differences of opinion on this subject between the SPD and the FDP. Everybody is aware, of course, that the Social Democrats are attempting to embrace our and particularly Hans-Dietrich Genscher's foreign policy. Much of this is simply political strategy. The CDU used to do exactly the same with Genscher's foreign policy; you only have to read the Bundestag minutes: "Applause by the CDU/CSU," no mention was made of the SPD. Today, the reverse is true. Hans-Dietrich Genscher relishes this, as those who know him realize. But that doesn't change the fact that there are, now as then, profound differences of opinion.

SZ: How can they be bridged?

Lambsdorff: First of all, I expect the Social Democrats to have the intellectual honesty to admit that their position in 1983—opposing the stationing of forces recommended by Helmut Schmidt—was wrong and that we would never have attained the INF Treaty without the decision to retrofit. I never hear anything about such an insight; on the contrary, I notice again a security orientation on the part of the SPD that leans toward precipitate and unilateral disarmament steps.

SZ: But didn't Willy Brandt admit long ago that the belief held at the time, that the world powers would persist in a state of inactivity, had been a mistake?

Lambsdorff: Willy Brandt was always a step ahead of his party in his judgment and his thinking. Debates and a diversity of opinion are not outstanding characteristics of the party of Hans-Jochen Vogel.

SZ: Is the party of Vogel not also the party of Bjoern Engholm and Oskar Lafontaine?

Lambsdorff: Look at Vogel's reaction to Oskar Lafontaine's attempt: He did everything to smother it with order and discipline. Now, I am in favor of order, diligence, discipline and punctuality and do not hold with Lafontaine that these are "secondary virtues of a concentration camp guard." These are remembrances of slips by this gentleman from Saarbruecken which I have not forgotten. My memory is not that bad and I wouldn't want it to be. The manner in which Lafontaine was discussed within the SPD, and the manner in which debate was terminated, was ultimately unsuccessful. Open discussions, which an opposition party in particular needs if it wants to develop new ideas, are not apparent in the SPD and I venture the following prediction: Under the surely very tight, centralized and conscientious leadership of Hans-Jochen Vogel, the SPD will not be a party that will develop ideas which could once more return it to government. This is still a long way off.

12628

Eppler Proposes Revisions in SPD Basic Program
36200099 Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 3 May 88 p 3

[Unattributed article: "Eppler Says Statements on Peace Policy Need Revision"]

[Text] Bonn, 2 May—On Monday, prior to the SPD's next working conference on the draft of its new basic program ("For a European Peace Arrangement"), presidium member Eppler, one of the main authors of the earlier "Irsee draft," himself characterized some items as needing revision and other formulations of the earlier text as "permanent." Still pending is the question of how the program draft should be condensed: "The pressure to add all sorts of things is stronger than the readiness to cut." Eppler described his role in the work on the program—the same role which Brandt played before him and which Lafontaine and Vogel now want to assume—in this way: "The Irsee draft is not Eppler's story. At Irsee I did not feel that I was the author but a trustee for the consensus that evolved during the discussion, a consensus which some people have already forgotten." He said that he had "cut and cut" despite opposition from the individual authors. "I, thereby, came into conflict with some interests and occasionally with vanity."

Change in America

Eppler confirmed the tenor of prevailing criticism that the draft program had been too pessimistic and too detailed. He characterized the following sentences in the third chapter, "Politics of Peace," as being in need of revision: "For that reason all weapons of mass destruction should be abolished. Major powers who favor this goal in theory must be held to their word, particularly by the Europeans." After the conclusion of the INF treaty, the SPD will probably use a different formulation. The same applies to criticism of the United States. Until now it read: "The alliance must suffer if its leading power, the United States, strives for superiority and engages in global power politics without consideration for its European allies and their interests." Eppler admitted that the program committee had already argued about this point when the program was drafted. Today, such a claim could no longer be made since the "phase" during which Americans strove for superiority ended at the latest with Weinberger's resignation and the drastic cuts of the military budget by Congress. The chapter on the Third World must also be rewritten since Gorbachev has proposed joint action and since the American Congress is increasingly pursuing a "different policy" toward the peoples and states of the South.

However, Eppler also mentioned points which are "permanent," such as the passages concerning Germans in both states who could play a special role if only because of their common language. They have responsibilities "of which nobody can relieve them." The sentence on "common security" has proven itself as effective as the one on the European Community as a basis for Europe's self-assertion. After all, if one reads the sentences about Germany and compares them with the "intellectual battles between various champions of union," one feels, as already described in the Irsee draft, "that which is and that which is possible." "The problem of the nation, which even the GDR cannot escape, has not gone away because of the partition of the state. A unified state is impossible as long as the two German states belong to different alliances. It remains to be seen if and in what form Germans of both states will find their way within a European peace structure to an institutionalized community." As another example of a succinct and fitting formulation, Eppler mentioned a basic tenet of developmental policy: "Developmental policy as an isolated special task of an agency misses its objective. It must become a major element of overall policy." Any basic program, even the Godesberg program, runs the risk of no longer conforming to reality even while still being drafted. In "Godesberg" neither the EC nor NATO were mentioned. On the other hand, a basic principle should not be formulated in such a way, that "anyone can refer to it as a lofty abstraction and it is meaningless."

"Voice That Which Is Troublesome"

Eppler talked about the sixth discussion since 1984 between the SPD Committee on Basic Values and the SED Academy for Social Sciences in Freudenstadt. This

time the SPD expressed itself unequivocally in favor of human rights. Talk does not stop "when they do not abide by it" but states clearly "what is troublesome." While the first joint SPD-SED statement had a relatively small impact in the Federal Republic, its effect was much more pronounced in the GDR "than we could have dreamed." It generated passionate debates at all levels of the SED for the first time since 1946. There are citizens who memorized entire passages to approach functionaries on this subject. But the SED, too, had clear advantages for its international position; the joint appearance, for instance, of co-author Reinhold (SED) with him, Eppler, in Washington.

12628

Chairman Vogel Calls for SPD, Union Cooperation
36200110b Frankfurt/Main FRANKFURTER ALLGEMEINE in German 7 May 88 p 5

[Unattributed report: "The Labor Union Is No Substitute Party—The SPD Chairman Demands Goal-Oriented Cooperation"]

[Text] Bonn, 6 May. Twice a year the "Labor Union and Politics" discussion group meets in the Friedrich-Ebert-Stiftung [foundation]. This time, coming after the storms caused by Lafontaine's reflections on a shorter work-week and a new contemplation of the concept of work, the presentation by SPD Chairman Vogel was more than a routine seminar. Vogel had already begun to work on his speech before Christmas, unaware at that time that it would deal with conflicts and the attempt to resolve them. During the discussion, however, which was presided over by the new chairman of the Friedrich-Ebert-Stiftung, Boerner, little of the tension was evident which had still characterized the debate with Lafontaine on 25 April in the North Rhine-Westphalia state representation.

Personality Entwinements

Vogel described common principles, goals and personal entwinnements. The number of dual memberships among the 910,000 SPD members and the 7.7 million members of the Deutscher Gewerkschaftsbund [DGB] [German Federation of Labor Unions] could not be precisely determined. It continued to be "significant," however. Of the 193 SPD members of the Bundestag, 188 were labor union members, including all 42 members of the party's executive committee. Conversely, almost all the chairmen of the individual labor unions are SPD members (16 of 17), as are most of the members of the national executive committee of the DGB (seven of nine), as well as six of the nine members of the executive committee of the Deutsche Angestellten-Gewerkschaft [DAG] [German Salaried Employees Union], including the chairman. There had always been "differences of opinion in questions of detail" in the relationship between the SPD and the labor unions. "Up to the

beginning of this year," there had been "serious strains" only twice: in 1981/82 at the end of the SPD coalition with the Free Democratic Party [FDP], when the labor unions, in large-scale demonstrations, opposed the social cuts of the Federal government of that time. And then again because of the events surrounding the Neue Heimat [scandal] between 1982 and 1986, which according to Vogel had been a heavy burden for the SPD in several election campaigns.

Concerning the "latest disputes," Vogel did not yet wish to render a final judgment. "The irritation assumed such considerable proportions because the controversy began at the same time as a labor dispute, because the impression prevailed for a time that employees should be expected to accept a loss of earnings, and above all because, in the conservative camp, it was made to appear by opponents of the labor unions as if the labor unions were to be held responsible for the mass unemployment." Vogel regretted the "sharpness of the tone" employed. A "greater objectivity" had meanwhile been introduced, which gave hope for a "concentration on the crux of the matter," the search for the best means for overcoming "the sociological scandal of mass unemployment."

Vogel derived a number of basic principles from the experiences of more than a century of practical togetherness. One of these, he said, was the mutual recognition of and respect for independence and sole responsibility. "The SPD is no labor union party, the labor unions are no Social Democratic ideological organizations." In their basic programs and resolutions, their essential aspirations were the same. As far as party politics were concerned, the labor unions were independent. Their proximity, or lack thereof, to the parties was the result of those parties' positions vis-a-vis the labor unions' ideas. "The labor unions are no substitute party." He described his own party as a "left-wing people's party," and added: "Workers, both male and female, now and also in the future will comprise the nucleus of the party." Labor union goals and Social Democratic ideas could conflict. Conflicts which could not be resolved through compromise would have to be seen through. In the process, the "necessity of future cooperation" should not be lost sight of, since the weakening of one was generally also the weakening of the other. The relationship should be nurtured along the lines of an "interest and goal-oriented cooperation."

Perestroika for the Future

Vogel then spoke about the challenges which are of concern to all people—safe-guarding the peace, unemployment, social security, how to deal with nature, preserving liberality—and finally of the "special problems" which labor unions and the SPD face as "large organizations." He conceded that there were varying opinions concerning the time frame for assuring a reliable energy supply without nuclear power. Vogel viewed the DGB and the SPD as equally challenged by changes

in living conditions, in economic structures, in Europeanization and individualization. Both should react to the changes as reformatory forces.

For cooperation in the future, he recommended "perestroika" at all levels, enlarging the "mutual areas of contact," increasing the number of dual memberships and the involvement of labor union functionaries in the SPD. The collaboration of the labor union in working on the new basic program was especially important, Vogel said. The era of the SPD and the labor unions was not over; for social, ecological and humanitarian reasons, they could not permit the "accelerating processes of change" to "run their course by themselves."

12689/08309

New Law Places Heavy Restrictions on Guest Workers

*36200105 Hamburg DER SPIEGEL in German
18 Apr 88 p 23*

[Article: "Ward Off Immigration by Foreigners—Zimmermann's New Residence Law: 'Preservation of the National Character'"]

[Text] In form, the draft by the Federal Ministry of the Interior fulfills the principles of West German policy towards foreigners, in force at least since the recruitment stop of 1973. A law on integration of foreigners (AIG) containing 17 articles is, on the one hand, to legally ensure permanent residence for the multitude of guest workers brought into the country once upon a time, and for their dependents. But, on the other hand, the strict regulations of the foreign residence law (AAG) are to set narrow limits for additional immigration.

This division into two laws seems to the Liberals already "highly problematical" (Hirsch). Because, whoever is not a member of the privileged AIG circle of people when that law comes into force, automatically comes under the restrictive AAG with its broad discretionary powers of the authorities. If some day the FRG should again require more foreign workers—in view of the falling population figures—, there would no longer be any possibility of granting them the—better—rights under the integration law.

That is precisely the intent of the lawmakers in the Interior Ministry. "Granting integration to employed foreign workers" can only be "justified and honored when and because this concerns a historically unique, i.e., finite, occurrence."

The definition of the favored circle is correspondingly narrow: "Foreign workers as defined by this law are those foreigners who received permission to immigrate for the pursuit of a dependent, not temporary employment and who have been legally residing in the FRG since then."

Therefore, whoever came into the country as an applicant for asylum, a student, or under a contract of manufacture, does not enjoy the privileges of the AIG, even if he has long since found the center of his life in the FRG. The autonomous right to residency of spouses and children brought in later is to be on condition that their subsistence is ensured without welfare assistance. The proposal by the FDP, to grant children who grew up in West Germany and returned to their homeland a "limited option to return until age 23," was not even taken into consideration by Zimmermann. Hirt explained: "Without this option, the decision to leave is irreparable, and this increases the pressure to stay."

More fierce disputes than over the AIG will arise over the residence law, which contains 82 articles. Its rigid regulations are being justified not only by the claim that the FRG "in the long term will be confronted by the problem that it will have to ward off unmanageable foreign immigration." "Preservation of our own national character" and "the unsolved national problem of Germans" are also used as justifications.

According to the AAG, permanent residence is to be "the exception" in the future. For this reason, Article 11 restricts to a maximum of 8 years the extension of a residence permit, which henceforth is to be a limited one in principle so that, as the justification says, "at that time at the latest it must be determined whether the foreigner is allowed to stay indefinitely, or must leave the FRG."

There is hope for residence and bringing in dependents for those who fulfill a number of conditions—such as residing in an apartment which would also be considered "adequate" for Germans. This is to counter "the danger of developing slums and ghettos for foreigners."

For bringing in children, the AAG stipulates that both parents must be residing in the FRG (exceptions are possible only if they are not married, or no longer married). If parents have only a limited residence permit, the authorities have the power to decide whether they may bring in their children under 16 years of age.

Zimmermann has also decisively tightened the reasons for expulsion. A person can be expelled who "disparages or in any way debases the FRG or a constitutional authority of the state or of a Land"—whatever that may mean.

And in contrast to the present regulation that someone can be expelled if he needs welfare assistance, in future a person must leave the country if he has had more than 1 year of unemployment assistance. Hirsch: "So someone has worked hard for years in Rheinhausen, and now he must be prepared to have to leave the country—[that's] impossible." The Liberal's reaction after a first perusal of the Zimmermann opus: "Extraordinarily petty."

9917

GREECE

Papandreou's Chances at Presidency Weighed, Evaluated

Parliamentary Votes Counted

35210095d Athens POLITIKA THEMATA in Greek
6-12 May 88 pp 14, 15

[Article by POLITIKA THEMATA political correspondent: "The Fatal Leap Is Being Planned!"]

[Excerpt] There is a question hanging around: Maybe all this guided "Sartzetakis talk," the tactic of damaging the person of the president of the republic, serves ulterior aspirations which now, in a certain way as the time approaches, are entering a more visible area of political strategy? Maybe ultimately A. Papandreou is eager (as we note elsewhere) to turn the Presidential Mansion into a...private house?

The Great Leap!

Everything indicates that the open break between the two highest state functionaries in Greece has not ended—something, moreover, which is accentuated by both sides, if one carefully observes the way in which they have handled and are handling this issue.

On one side, the government through its spokesman, throws the weight of responsibilities entirely on the president of the republic and, on the other side, the president himself somewhere has been reminded of his old capacity as examining magistrate and is continuing investigations in order to take his revenge after he finds the...culprits.

As things are unfolding at this moment, one cannot presume up to what point the two sides will drag it out, while their deepest goals and ulterior motives are even more of an unknown. It is not, on the other hand, accidental that, since the day Andreas Papandreou departed for Norway and Bologna, avoiding any contact with the president of the republic, the very old rumors began to circulate again among political circles that a possible removal of Sartzetakis from the Presidential Mansion would open the door for Papandreou to make the "fatal leap" to the presidency since everyone now forecasts that elections for a third time are of no profit.

We should acknowledge the fact that state television, after government order, did not transmit Sartzetakis' statements when he returned from China, as well as the government spokesman's statements and positions which have kept this issue and certain other government actions alive; all strengthen these rumors, namely, that Papandreou will pull the rope because he is aiming at the presidency and, for this reason, his goal is to force Sartzetakis to resign by undermining his authority and contesting his seriousness.

But the question is: With the present composition of the Chamber, can Papandreou be elected president? In other words, can he collect the 180 votes required by the constitution on the third and final ballot?

Most of the political observers consider such an outcome impossible, based on the political situation prevailing today, particularly in the relations between the parties.

Numerical Facts

The Chamber has 300 deputies. To elect the president of the republic 180 deputies are required.

Of these PASOK has 157 and wants another 23.

Where Will It Find Them?

To the 156 [as published], there should logically be added: Georg. Mavros, Emm. Glezos, Io. Zigdis and N. Psaroudakis.

We arrive at 160. Another 20 remain to complete the 180.

Of the remaining 140, the parties have: New Democracy, 111; KKE, 9; DIANA [Democratic Renewal], 8; E.AP [expansion unknown], 1; KODISO [Democratic Socialism Party], 1; AGROTIKO [Rural] (K. Nasis), 1; Socialist (G. Arsenis), 1; Independents (G. Rallis, I. Pasmazoglou, V. Tsouderou, M. Drettakis, An. Papaligouras...and also the independents Livanos, Io. Boutos, St. Panagoulis), 5.

Total: 140 [all figures as published].

Of the opposition's 140, only D. Livanos and Io. Boutos are likely, after negotiations, to vote for Papandreou.

Consequently, in the best case, the government faction reaches (does not reach) 160 and the opposition 140. (Irregardless of the case of someone in PASOK somehow or other finding the opportunity to stab his leader in the back.)

Decoys

Several political observers maintain that Papandreou can theoretically play one more "card" to get the 180 votes and, in particular, to secure the positive vote of both the KKE and DIANA. This "card" is the simple proportional system which, theoretically at least, he can place on the negotiating table to secure the required votes. In this case, the question is: Will PASOK agree to play heads-or-tails with its existence, or rather its political survival, after the departure of its leader from active politics, solely to be sacrificed so it can be turned into a doormat for Papandreou to pass on to the presidency?

And perhaps the most serious contradiction: After the new amending of the constitution in March 1986 and the divestiture of whatever prerogatives the president of the republic had, will the president of PASOK ever want to take Sartzetakis' place, offering his own all-powerful position to his personal rival, Konstandinos Mitsotakis? As is verified by the joint valuation "plus" and "minus," one cannot be led to reliable conclusions.

On the other hand, political observers maintain that the present strange antagonism may deliberately lead to early elections, with the central (if not the only) issue being the election of the new president of the republic—always, of course, under the presupposition that Sartzetakis will be forced to resign. It is a development which is provided for most explicitly by the 1975 Constitution (and after its 1986 amending) and which will give a new "political color" to the elections.

As concerns this possibility, political observers express the opinion that it is impossible for such a development—even theoretically—to work for PASOK's party interest since it is unable to project a personality which by itself would be able to gather the required majority in the present Chamber or, in another case, help PASOK win elections which would be carried out with this basic slogan.

Conversely, opposite PASOK is rising a catalytic alternative political solution which works, however, only for the liberal faction. Because only it will be able to claim the candidacy of K. Karamanlis, with all the positive effects it would have from such a projection. Such a development would lead to a festive election of Karamanlis, directly, at last, by the Greek people—something which no one can theoretically exclude might happen.

Possible Scenario for 'Jump'

35210095d Athens POLITIKA THEMATA in Greek
6-12 May 88 p 19

[Article by Gerasimos K. Apostolatos: "A New Possible Scenario"]

[Excerpts] This unrestrained "Sartzetakis talk," which, with quite a bit of "national journalistic ink," has shown a sudden upsurge again recently, must have, for those governing, some ulterior motive.

Maybe we are facing a new scenario which will lead the one who has irresponsibly governed us for seven years to the formally irresponsible position of supreme ruler?

It is possible for a series of logical assumptions and anticipated events to reveal to us the arranged scenario:

1. The prime minister will reach the highest point of his international exposure with the six-month EEC Presidency.

International—especially European—interest will naturally be centered on his movements and initiatives.

His biological limitations do not allow him another opportunity for such advancement.

2. The country's economy is anything but a positive factor for a new successful election. The agitation and anger of the classes are engraved on the multiple strikes every day.

The huge deficits of the public corporations will have to be dealt with by the next government. And this means financial hardship for the popular strata.

3. The "non-warfare" of the "spirit of Davos" may evolve, because of Turkish aggressiveness, into a catastrophic "boomerang" for Andreas. The resignation of the responsible diplomat-manager of Greek-Turkish relations is a serious warning of possible developments.

A real crisis in the Aegean—not that theatrical one in March—will have to be dealt with by another, responsible political leader, not the one who was convinced of "Ozal's sincerity" and surrendered to him without a fight.

4. The agreement for the U.S. bases to stay in our country will have to be signed in some logical time limit. Andreas is unable, under the present conditions, to sign it. A protraction of the pending status, however, will endanger the country's highest security interests. Another political leader will have to settle the issue....

5. Andreas is able to be elected president of the republic only with the present composition of the Chamber. Today all the small parties, along with the PASOK deputies of course, would like to get him out of their way and they would like for the country's political life to open up with other conditions. In a new Chamber of Deputies, the correlations will change and his election will be impossible.

6. Finally, Andreas has shown that he wants to be a trouble-free lover of power (perhaps because he wishes to consume his activities and his biological dynamism elsewhere). "I simply preside," he has told us. A new four-year term in the unliable and splendid office of president of the republic, far from the responsibilities and daily, nerve-racking confronting of problems, will now have to be his ultimate ambition.

And the Possible Scenario?

After the six-month EEC Presidency has ended, and when the chair of the present supreme ruler "has been nibbled away" in the most terrible and vulgar way, Andreas will aspire to jump to the presidency of the republic.

The "jump" must, of course, occur before the elections. Therefore, the spring of 1989 has this further ordeal in store for us....

9247

G. Papandreou Attempts To Set Own Political Base

35210095a Athens EMBISTEVTIKO GRAMMA in Greek 27 Apr 88 p 3

[Article: "G. Papandreou Has Captured the Party Machine"]

[Text] The contest between G. Papandreou and the traditional party-liners is intensifying and the prime minister's son has already gotten the upper hand in this "countermove."

According to information, this contest started with G. Papandreou's effort—with the prime minister's approval—to erect his own strong party machine which represents the opposite of the leftist and anti-European perception of the party establishment. This machine will allow him, as political circles maintain, to give a more social-democratic aspect to the party and thus make it acceptable to the broader masses who are repelled by PASOK's left-turning image. In this effort, G. Papandreou has chosen for his team U.S.-supported cadres, who also make up his "politburo" which is housed in his home in Psykhiko.

Despite the careful tactic he is following, however, for changing in the long-term—and through renewal—PASOK's ideologic form, G. Papandreou not only has the "handicap" of having participated in an unsuccessful government, he is also charged for aspiring to be the continuation of a least credible prime minister.

9247

Gennimatas', Laliotis' Reported Losses Within PASOK

35210095b Athens EMBISTEVTIKO GRAMMA in Greek 27 Apr 88 p 3

[Article: "Gennimatas' and Laliotis' Fallen Shares in Kastri"]

[Text] The cards of Kostas Laliotis and Georgios Gennimatas have "collapsed" in Kastri for different reasons. The former has been thoroughly outmaneuvered (as is reported in detail in another article in EMBISTEVTIKO GRAMMA) by Giorgos Papandreou, who is expanding within the party, while "leftist talk," although useful in PASOK for satisfying its short-term goals (such as the "moratorium" with the KKE), nevertheless does not provide for a social-democratic form—according to the European prototype—in PASOK, as A. Papandreou would like, in the framework of a "line of succession."

On the other side, Gennimatas, aside from the developments in the GSEE issue which are ascribed to him as a failure (and required the intervention of Koutsogiorgas), has two more "handicaps": First, Gennimatas' popularity in the party rank and file has exceedingly annoyed A. Papandreou. This is also something which militates against the prime minister's plans for G. Papandreou. Second, Gennimatas is surrounded by cadres from PASOK's left area who the prime minister holds in ill repute because they have been appointed to public enterprises which do not claim certificates of merit for financial lucidity, and the minister of labor has not distanced himself from them.

9247

KKE Seen Steadily Losing Popularity

35210095c Athens I VRADYNI in Greek 4 May 88 p 4

[Article by Themis Anastasiadis: "KKE in the 'Constellation' of Political Bankruptcy"]

[Text] The KKE's irritation and offensive tones against PASOK, and RIZOSPASTIS' revelations about a secret plan by Papandreou to steal communist votes (as if the policy which brought him to and maintains him in power needed a secret plan), reveal the communist party's distress over its electoral and wider political fate.

The long-standing holding to percentages of plus or minus 10 percent is the portent of a rapid fall which will be manifested, if not in the coming elections, then in the ones immediately following, particularly in the 1990's. The KKE perceives that it is being weakened and sidelined politically, but it is finding it difficult not so much to define but to accept the how and why, especially as it is still considered a given that it is the representative of the working class "of a just God" and is, according to Marxist theory, "doomed," in the inevitability of law, to sometime come to power. However, worldwide rearrangements, changes in the Greek political scene and qualitative transformations in Greek society are creating another, completely different reality of which those more sensitive in the party are just now beginning to become conscious.

Furthermore, the messages from the course of other communist parties, especially foster sisters such as the Communist Party of France, are very clear.

The shrinking of the KKE's force and its sidelining has at least two branches; the "party" seems, for the present, to perceive only one: its political displacement by PASOK. This is a reality which has been "viable" since 1974 and which it has not done much to confront. Although there is the question of what it could ultimately do.

The opinion that its political "radiation" is much wider than its electoral percentage is a myth cultivated by the KKE.

Pure-blooded communist voters have been in no time period an appreciable force in Greece. Even in the period 1944-49, the communists were nothing more than a small organized minority which was able to express the often undefinable hopes and anguishes of a broader part of the Greek people.

All of these people, who in no case constituted presumed communist votes (that is, "in force"), gradually passed over to PASOK after 1974.

Besides these, however, many "conscious communists" preferred, in 1981, the "socialism here and now" promised them by Papandreou over the "party's" talk about the future; while in 1985, despite the fact that their visions had been refuted, the spurious threat, "Never let the Right return," produced results. The contestation between PASOK and the KKE for the coming elections concerns this 1 percent, at the most, of the communist voters. However, in order to reclaim its votes, the KKE must, on the one hand, place PASOK on the same footing with ND and, on the other, cultivate the still existing, sentimental, anti-right remnants—not at all easy work, which is made more difficult by the KKE's foreign commitments.

And, in point of fact, there is "Moscow's no-pretences support to PASOK" which is certain to be expressed in the most brutal manner particularly in the coming elections in which its political survival is being gambled.

The Crisis of Marxism

However, the stealing of votes by PASOK—votes, we repeat, which were "in force" communists—is one branch of the KKE's problem. In fact, despite the fact that it is the most immediate problem at the given moment, it is probably not the most serious problem for the future of the communist party. Furthermore, PASOK's political prospects, to the (overwhelming) degree that they are tied to the personality of Papandreou, are very short-term and relate to no more than two more elections.

In our opinion, international political developments and local social readjustments comprise a far more significant danger for the KKE's future.

On a worldwide scale, the countries of living socialism are no longer a prototype for imitation or even for intellectualization. In a miserable economic situation, while the "doomed"—according to Marxism—West progresses, they are seeking western type patchwork solutions in order to survive such as capitalistic formulas in the economy, a little relaxation of the suffocating policing of citizens, and promises about certain freedoms. This is an open acknowledgement of their failure even if they themselves promote it as renewal. Who would be fascinated now by living socialism because at long last it has discovered the blessings of personal ownership which for decades it cursed? So we have to

live with a worldwide crisis and semi-bankruptcy of the communist ideology and practice which is expressed in West Europe with the electoral failure of the communist parties. The crisis is hitting even those communist parties which have been renewed, such as the Italian party; far more, of course, the "hardcore" parties, such as the French and others, especially the Greek party.

Specifically as concerns Greece, the KKE is facing, without the required adaptations (in the frameworks of the feasible), rapid socioeconomic rearrangements. The pure-blooded working class is shrinking constantly, as much because of the country's deindustrialization as because of the qualitative change in the workers' role in industry. The hammer and tools are being replaced by computers. The farmers who with the EEC have seen much better days, while they have suffered great hardships with the cooperative experiments, are not looking in any case to the KKE. There only remain the strata of wage earners and pensioners, ravaged by the policy of austerity, and certain categories of merchants and craftsmen who are by their nature conservative, however. Their visions are to rise socially, not to be equalized socialistically.

On route to the Europe of 1992 and the third millennium, what prospects can a party like the KKE have? What response can the communist ideology find, particularly in its orthodox and traditional form? When all the demands made by the parties of the communist left on a syndicalist level have been satisfied by the bourgeois governments and they have not yet accepted the fact that the average citizen's modern requests have no relation to their own "values" and principles, to what can they aspire?

PASOK and Papandreou are basically among the smaller (and transient) problems of the KKE. Because the communist movement, as Greek society approaches the European prototypes, will have to reconcile itself with the fate of all the "sister" European parties—a share of 6 to 7 percent and the sidelining of its political role.

9247

ITALY

PCI's Napolitano Denies Rapprochement With CPSU

35280125b Milan LA REPUBBLICA in Italian
5 Apr 88 p 7

[Interview with Giorgio Napolitano by Paolo Garimberti]

[Text] Rome—The returnees from Moscow are disappointed and even a little annoyed. The disappointment comes from Italy's negative reaction, as stated by the Italian Communists, to the Natta-Gorbachev meeting. The Communists say that Italy did not fully appreciate the meeting's importance not only for the PCI but for the

entire European left. The irritation arises from controversies, which Botteghe Oscure [Dark Cellars] members say are just a smokescreen, about the presumed healing of the "break," with Natta himself probably blessing the rapprochement at the conclusion of his talks with the Kremlin leader.

Indeed, to talk about a "healing of the break" is an oversimplification and is also anti-historical. This would be just like saying that the PCI might return to the Soviet orbit. The issue, in any event, should be stated in other, more complex terms. In the context of Gorbachev's reforms, ought we not re-examine Berlinguer's judgment about the exhaustion of the October Revolution's "forward push"? This question, which has a profound political and ideological significance for the PCI, is the first in an interview with Giorgio Napolitano about the Moscow talks, which he participated in as the party's "Foreign Minister."

"Real Socialism"

[Answer] "I do not believe," answered Napolitano, "that we are being forced to reconsider any of the opinions put forward about the Soviet Union in the past, particularly at the beginning of the 80's. Such reconsideration was in no way a discussion topic during our dialogues with Gorbachev. I would add, in fact, that during those meetings no problems were discussed relating either to the communist movement or the relationships among communist parties as such. These are the facts. On the other hand, it is precisely on the Soviet side, under Gorbachev's direction, that opinions have been revised, directions and behavior have been changed and realities—which had been denied in the past—are now acknowledged".

[Question] But the change in that judgment certainly could not have come from Gorbachev....

[Answer] "I mean, not only did we not bring up the issue but Gorbachev, on his part, didn't even ask about it."

[Question] And what I mean is that this is not a matter for bilateral dialogue, but rather one requiring internal reflection within the PCI. Now, has this re-thinking taken place—or will it—in light of what is happening in the USSR?

[Answer] "Well, maybe we have to go back to what we said then. That was not just a sentence uttered by Berlinguer during an interview on TV. The statement was fully worked out in a resolution by the PCI's leadership in December 1981; also, in Berlinguer's report and in the January 1982 debate at the Central Committee on the events in Poland; and finally, it was taken up again at the party's 1983 Congress in Milan."

[Question] Please tell us the exact terms of that statement as issued on the three occasions you've mentioned.

[Answer] "It spoke of exhaustion of the push forward (I have learned that the words used were "force" and "load") with respect to both the developmental stage of socialism, which started with the October Revolution, and the models of socialism in the Soviet Union and other countries of Eastern Europe. And in order to justify that judgment they referred to the fundamental nature of 'the building of socialism' in the USSR, in both the political and economic areas."

Napolitano pauses to read a paragraph of Berlinguer's 11 January 1982 report to the Central Committee, which focused on the "international situation after the events in Poland". The "socialist-type countries" are accused of "mistakes, especially in the economic area (forcing development, authoritarian centralization, etc.), bureaucratization (State-party, monolithism, loss of the specific political function of the party, Marxism warped into State ideology), predominance of a closed dogmatism which sometimes even reached fanaticism".

"Of course," Napolitano continues, "the new situation consists of a recognition—which has come from Gorbachev and other exponents of the new Soviet direction—of many of those truths, that is, acknowledgment of phenomena whose roots go back to the 1930's."

[Question] This leads us to two questions. The first concerns the meaning and the value, for Italian Communists, of the October Revolution. Occhetto wrote in "REPUBBLICA," that "a radical historic reappraisal of the October Revolution," is needed to "put its meaning in perspective." Do you agree? Have the Moscow talks changed this approach?

[Answer] It is certainly necessary to resume and deepen the discussion about the value and, at the same time, the specificity and limitations of that fundamental moment in history. In reality, it seems to me that Occhetto's article moves in the same direction as Berlinguer's thoughts and Natta's talk—even though his evaluation was succinct—in Moscow last November. The point you raise, however, is different. It is: Can Soviet society—as a product of the October Revolution—be able to regain, through a renewal process, its force of attraction, particularly with regard to the Western European worker movement?"

[Question] Precisely. And from here we go straight to the second question. They used to speak critically of a "real socialism" that Italian Communists also would accept. Is, or could, Gorbachev's "real socialism" be different from Brezhnev's?

[Answer] "Cossutta stated something that was absolutely untrue when he said that, according to Berlinguer, a renewal in the Soviet Union would not be possible. In 1981, we rejected the theory of the immutability of that type of society and we clearly confirmed our belief that the need for reform would re-emerge. This is the heart of Gorbachev's challenge. It is a difficult, hotly-contested,

long-term commitment. It is impossible to foresee its speed and results. All democratic and left wing forces of the western world should look upon it with sympathy and encourage it through constructive actions. But I do not believe that it makes sense to speak of the model's possibly renewed force of attraction, when the model will gradually and to some unknown extent be modified and, in any event, is now open-minded precisely toward recognition of those democratic and pluralistic values borne by western progressive forces and the leftist worker movement."

[Question] Do you mean that the relationship has been reversed, that is, that the forward push, if any, comes from the West?

[Answer] "In some ways, yes. Naturally, I am not speaking of one party nor even of several parties, but of an entire tradition and experience that is hinged on the idea of an unbreakable nexus between democracy and socialism."

[Question] Therefore, does the fact that the PCI belongs to the European left—understood as the Western, democratic left—make it impossible for the Italian Communists and the Soviets to approve of each other?

[Answer] Naturally this is not an issue that concerns only us. Today (editor's note: yesterday, Monday) Willy Brandt is arriving in Moscow for talks with Gorbachev, accompanied by Egon Bahr. I doubt that Germany will be scandalized in the way Italy was over the trip by Natta.

[Question] The trip itself, which everyone believes was legitimate, did not create a scandal. If there is a scandal, it concerns the fact that Natta called Gorbachev his "comrade" again.

Socialist Dust Storms

[Answer] "The German Social Democrats also drew up and made public last August a document drafted together with SED (editor's note: the East German Communist Party) in which views that remain different were contrasted, and a path toward developing a dialogue was indicated, though the path begins from quite different systems of values. I believe that this is precisely what we are dealing with today: To maintain distinctions, discuss, press for changes, reforms and democratization of the entire Eastern bloc and to encourage every possibility for cooperation toward peace and the solution of important, shared problems.

[Question] It seems that you are describing only diplomatic relations with the Eastern bloc parties.

[Answer] No, that would be inadequate. Political relations between the European left—which is still characterized by its own peculiar political, cultural, and ideological baggage and by its placement within the community and alliance system of Western Europe—and the Eastern bloc parties are possible.

[Question] OK, then how do you explain the use of "comrade" with Gorbachev?

[Answer] "But Gorbachev," Napolitano bursts out, rising to his feet and momentarily losing his calm, "has also been addressed as 'comrade' by the representative of the PSI delegation who took part in the 4-5 November meeting in Moscow between communist and non-communist parties."

[Question] I imagine that this clear reconfirmation of the PCI's choice of position, your repositioning with respect to the CPSU, was also made in Moscow during your talks. How did Gorbachev react?

[Answer] "The talks were important and constructive precisely because Gorbachev showed that he knows how to grasp, with a high degree of realism, the peculiarity and depth of the processes of integration that have been attained and are still being developed in every field in Western Europe. He has also shown that he can understand the willingness of leftist forces, and thus also the PCI, to operate as an integral part of that reality. This is the point of departure for Gorbachev's speech on the need for both sides to seek out ways for East and West—or as I would put it, for the two Europes—to cooperate. The substantial value of our mission also resides in the fact that we have offered a correct perception of the direction which the fundamental forces of the European left intend to follow. In this spirit we have also spoken of the importance we attach to the issues of security and defense, the reduction and balance of conventional weapons, and all aspects of the Helsinki accords (editor's note: Conference on Security and Cooperation in Europe). Deputy Intini would have done well to do his homework before talking of the PCI's about-face, rather than falling victim, as he did, to the fashion of raising up a duststorm against the Italian Communists.

[Question] Speaking of Europe, it seems that in Eastern Europe there is a growing desire to become European, that is, to become more like Western Europe. Are the Soviets aware of this? Does it concern them?

[Answer] "I believe they are aware of the fact that the new Soviet direction itself, with all its wealth of revisions of history, of pitiless denunciations and strong declarations of democratic principles, may raise expectations and stir up the forces of renewal in other Eastern bloc countries. This also leads to a boost toward freer and more intensive relations with Western Europe. And I must say that Gorbachev seemed to pick up on these needs by supporting the necessity of both an early

conclusion to the basic agreement between the EEC and COMECON, and development of bilateral relations between the EEC and the individual COMECON countries."

A Marshall Plan for Eastern Europe

[Question] But this will inevitably lead to centrifugal forces within Eastern Europe. This, as we read in this week's *ECONOMIST*, could, in turn, cause the USSR to lose control of its satellites.

[Answer] "This concern was not expressed during the talks. And we saw no reason to bring it up."

[Question] Carlo De Benedetti, in a recent debate with Giscard d'Estaing on French television, proposed that Western Europe launch a kind of Marshall Plan for Eastern Europe. *LE MONDE* considered that proposal to be so important that it devoted an editorial to it. What do you think of it?

[Answer] "It seems to me that such a proposal reflects a fair vision of the possibilities of a strong growth in cooperation between the two Europes, and this is meant to be understood as being mutually advantageous. As to how such a hypothesis can be configured, it seems to me that further clarification and details are needed."

[Question] But what, if I may put it this way, is the current state of affairs in Moscow? In your talks with Gorbachev did you get the impression that he is encountering many obstacles? Earlier, you mentioned a difficult, hotly-contested undertaking, the speed and outcome of which are hard to foresee. What do you mean?

[Answer] Certainly, among the hardest problems are those of the start up and implementation of reform measures, along with those surrounding the transition from an old system of economic management to a new one, with all the repercussions and uncertainties that this implies. And, as is now clear, among the most complex and acute questions we must mention the problem of nationalities, and not just the relations between Armenians and Azerbaijanis. But somehow, everything finally comes back to the theme of a thoroughgoing revision of the role of the party and its operating methodology, of the relationship between the party and the State and between the party and society, and, thus, to the theme of the possibility of a pluralistic structure and effective democratization of Soviet life."

[Question] There will soon be a national party congress in Moscow. Will these be the topics to be addressed? Did Gorbachev give you any advance notice?

[Answer] The congress at the end of June will be an important step. At that time it will be easier to appraise the prospects. I would like to confirm that we were struck not only by Gorbachev's determination but also his deep conviction in pursuing "perestroika" as a path to which

there is no alternative, without which a very serious national crisis will occur. I think that anyone in Europe who believes in the cause of the consolidation of democratic values, together with international peace and cooperation, should not hesitate to do their share by contributing to the success of Gorbachev's work."

13331

NORWAY

Kristiansen Explains Reason for Leaving Storting

Dissatisfied With Party Policies

36390064 *Oslo AFTENPOSTEN in Norwegian*
27 Apr 88 p 3

[Article by Kurt-Johnny Olsen]

[Text] Odelsting President Kare Kristiansen (68) will step down as a Storting representative in the elections next fall. The information came to the nominating committee of the Oslo Christian People's Party late yesterday afternoon. To *AFTENPOSTEN* Kristiansen said his decision was because of advanced age and "the way things have developed."

In many ways, Kristiansen has been the most unusual Christian People's Party politician in recent years. Solidly anchored in the nonsocialist side of the political landscape and with a strong engagement for a broad cooperation on the nonsocialist side for many years, he has as have few others had to tolerate much criticism. In 1983 the situation in the party was so tense that he, more or less involuntarily, had to give up the chairman's gavel because of skepticism of the Conservative Party. A few weeks later the Christian People's Party was in the government—together with the Conservative Party and the Center Party.

Correct Line

"I have tried to work for the line that I feel has been the correct one. And I have in very many cases noted that this line has taken hold in the party," he said.

AFTENPOSTEN: "Can you clarify in more detail your reasons for stepping down 'because of the way things have developed'?"

Kristiansen: "The Christian People's Party has gradually come into a strong dependency relationship to the Center Party. This means that we constantly become a supporting party for the Labor Party and the present government. This then means that there is little consistency in our economic policy. Besides this, I feel that the fundamental conservative values that formed the basis of the party from the start have gradually been toned down in favor of a sort of diffuse social ethic with more leftist-oriented elements."

It has long been known that Kristiansen has been dissatisfied with the party line. Last winter he had a "reckoning" in the Storting group that later was revealed to the press. At that time he pointed among other things to the indecision in the party's economic policy and said that the more leftist-oriented members had gradually gotten too much power.

Memoirs

"I don't want to say anything else about this now. I would rather come back to it on a later occasion," he said, as he admitted to AFTENPOSTEN that he is considering accepting one of the many offers he has received from book publishers to write his memoirs. "There are many experiences through a long life in politics, and there will also be room for revelations."

AFTENPOSTEN: "Are we meeting a disappointed Kare Kristiansen today?"

Kristiansen: "Purely personally I have no reason to be disappointed, for I have experienced quite a bit. I have tried to hold to the line I have perceived to be the main one—and which was by the way drawn up by Nils Lavik, Erling Wikborg, Kjell Bondevik, and Einar Hareide. In my opinion, the line being followed now is completely different. We can just hope that it is the correct one. The time is clearly ripe for younger persons to take over—people who see political solutions in a different way.

Kristiansen is now in his third Storting term. The first time he entered the Storting was in 1969, then he was vice-chairman. For six years altogether he was chairman of the Christian People's Party. He has been the secretary of the Social Department (1965-68), chairman of the Social Committee and the Foreign and Constitutional Committee, and finally oil and energy minister for three years.

Drama

The most dramatic thing about Kare Kristiansen took place during the time of the party's national congress in Oslo in 1983 when he had to leave his post as party chairman. This was certainly a rather painful experience. But at the same time a compromise was hammered out so that he took over as parliamentary leader.

"But the way this happened was not completely pleasant. This situation came right in the shadow of our recent entry into power," he said.

During the change of governments in 1986 Kristiansen and many with him went back to the Storting. Here he was placed more or less against his will in the Justice Committee. He doesn't want to comment on this, but AFTENPOSTEN has reason to believe that he found out there was no longer a need for his ability, insight, and what he stood for.

AFTENPOSTEN: What do you look back on with the greatest satisfaction?

Kristiansen: "The time we were in power. Then we put through much of our program. It created inspiration and fervor," Kristiansen concluded.

Loss for Christian Party

36390064 Oslo AFTENPOSTEN in Norwegian
29 Apr 88 p 5

[Article by Kurt-Johnny Olsen: "CPP Loses Important Profile"]

[Text] "The Christian People's Party will lose a part of its profile without Kare Kristiansen. The Christian and nonsocialist tradition, which goes far back, is still solidly represented in the organizations and the Christian people. I see no natural replacement for Kristiansen," Arild Rodland, Norwegian Technical College professor and former secretary of the Oil and Energy Department, said.

Rodland has great understanding for Kristiansen's objections to the Christian People's Party moving into too strong a dependency relationship to the Center Party.

"I believe the Christian People's Party would benefit from a greater degree of freedom from the Center Party. The Christian People's Party must be itself to a greater degree and not some "center block" that more easily supports the left in the political landscape," Rodland said to ADRESSEAVISEN.

Arild Rodland was Kare Kristiansen's secretary of the Oil and Energy Department from 1983-86. At present he is the first substitute representative from South Trondelag. While he was secretary, he had a good opportunity to become well acquainted with the former Christian People's Party chairman, Kare Kristiansen. Rodland characterizes him as "colorful, dynamic and with a humanity that is more extensive than most.

"In the political arena Kristiansen represents a sense of depth, a perspective and an ability to see combinations before others do, and better than others."

Rodland also takes strong exception to statements by Christian People's Party leader Kjell Magne Bondevik that the party's fate is closely tied to the Center Party: "Such statements do not thrill me much. One should not lock oneself into an organization one has no control over."

TURKEY

U.S. Ambassador Accused of Interference in Internal Affairs

35540126b Istanbul HURRIYET in Turkish
4 Mar 88 p 3

[Editorial by Oktay Ekshi titled "Is the Aim Eating Grapes (or Beating Up the Vinegrower)?"]

[Text] U.S. Ambassador Robert Strausz-Hupe' has apparently confused his role once again. He seems to have been acting more as a high commissioner than an ambassador—a behavior frequently observed until a few years ago. In what may be construed as interference in our internal affairs the ambassador recently paid a visit to Minister of Labor and Social Security, Imren Aykut, reminding the minister of a previous representation by the U.S. government concerning workers' rights and freedoms in Turkey, deemed unsatisfactory in terms of U.S. standards. The ambassador has reportedly conveyed that the AFL-CIO, known to be the most powerful labor organization in the United States, is demanding that Turkey be taken off the most favored nations (MFN) list if the labor laws are not amended. Implicitly suggesting that the labor laws be revised without delay, the ambassador also asked for pertinent information about the Ministry's activities on the matter with a view to "convincing Washington to keep Turkey on the MFN list."

At first glance, one almost wishes to offer gratitude to the esteemed ambassador for his concern for our welfare. These are issues that every sensible person wants to see resolved. We, ourselves, have been insisting for years that our labor laws be brought up to par with those prevailing in civilized countries.

In addition, we have been having problems with the International Labor Organization (ILO) in Geneva. They also insist that we change our labor laws. They criticize Turkey every year during General Council meetings held in Geneva. It is well-known that they are reaching the end of their patience with our government which has been delaying the issue for years. This can result in Turkey's being put on the ILO blacklist which, in turn, would mean perpetual condemnation of Turkey.

There is yet another aspect: The issue of whether Turkey will remain on the MFN list will be decided by President Reagan in April, to be followed by the ILO decision in June. When all is considered the ambassador's actions may seem perfectly all right. But, the reality is different. First of all, however gently the ambassador may have suggested the need for revising our labor laws it still constitutes interference in our internal affairs. The ambassador could have sent any of his less senior diplomats to convey his suggestions to the proper echelons of the Labor Ministry, while securing needed information at the same time. That he has chosen to visit the minister in person casts doubt not only to his intentions but

demonstrates fairly clearly that he was interested in exerting pressure. It should also be remembered that Americans are not sticklers for "principles." Countries like Taiwan and Singapore, whose workers are oppressed much more heavily than their counterparts in Turkey, are still on the MFN list, sending billions of dollars worth of goods into the United States without paying duties.

And, if the United States is so sensitive about human rights it would do well also to remember [the Charter of Human Rights] and withdraw aid from Israel which oppresses the Palestinian people. The whole issue might become slightly more credible then.

12466

U.S. Said Pitting Kurds Against Iran-Iraq-Syria Axis

35540142b Istanbul MILLIYET in Turkish
11 Apr 88 p 8

[Editorial by Teoman Erel]

[Excerpt] Ambassador Monoucher Mottaki, Islamic Republic of Iran's envoy to Ankara, responded to a question posed by correspondent Ferhat Koch as to what might happen if the Iraqi regime were to collapse, saying: "There is no question of separate governments being formed on Iraqi soil following the collapse of the Iraqi regime. A government will be formed in line with the decision of the entire Iraqi people" (MILLI GAZETE, 5 April 1988).

So, the recent change of tune by the Kurds may be attributed to such closely monitored developments by Ankara. Reference has already been made in this column to the telling sign that the Iranians have not handed the administration of the jointly-occupied territories in northern Iraq to the Kurds. Now, Iran is going further by openly stating that an independent Kurdish state will not be established in northern Iraq.

Meanwhile, Kurds are dying in large numbers in the mountains of northern Iraq. The Baghdad administration, having obviously decided to exact a heavy price for the Kurdish collaboration with Iran, has instigated heavy massacres in the north. In response, the Kurds have turned to Ankara, indicating that so long as Ankara agrees to some of their demands they would welcome Turkish intervention in the area.

Correspondent [Mehmet Ali] Birand, reporting from Tehran, concludes that the "Iraqi Kurds are very realistic people." It can even be said that they consider themselves very shrewd. Until recently (1984 to 1985) they were intimate with Saddam Husayn, presenting their conditions to Baghdad. But not being able to close the deal they turned to Iran. Now they are sending feelers to us.

But there is a problem: They hold a weak hand. They offer Kirkuk and Mosul to us but they hardly control these places. Because of the high rhetoric and self-importance in their negotiating style they have been hit by everyone they deal with. The people who suffer as a result are the Kurds dying in the mountains without knowing what deal is struck at which capital by the likes of [Jalal] Talabani.

There are games within games in the region. We should, therefore, be extremely careful about any proposal coming our way. Everybody views the developments from his own perspective, trying to use the others for his own gain. For instance, Iran is neither interested particularly in providing independence to the Kurds nor in adding the Kirkuk wells to its already extensive oil assets. What Iran is trying to do is to establish an Iraqi regime based on the majority Shi'i and beholden to Tehran, provided that the Sunni Saddam regime is toppled first, and then construct an Iran-Iraq-Syria axis. As we know, Syria and Iran are already governed by Shi'i regimes, and if they were to add Iraq to their fold the balance of power in the Middle East would change considerably.

The Western world, and America in particular, view this potential development as worrisome. Paul Henze of the CIA has been recently heard in Turkey saying that if Iraq loses the war, Turkey, consulting with its allies, America in particular, should engage in a joint operation. When Henze, the CIA rose, declares that any operation should be done jointly he is not worried about the fate of the Kirkuk wells or the Iraq-Turkey pipeline. What concerns him is the "Shi'i zone" that would be created if Tehran, Baghdad and Damascus were to join hands. If such a zone were to materialize it would have grave repercussions for Saudi security, and threaten the very existence of the Gulf mini-states which are Western-and U.S.-oriented.

A Turkish diplomat monitoring these developments in Ankara assesses the West's predicament as follows: "The West favors the continuation of the war so long as Iraq holds out. Twenty-two Western countries are engaged in arms sales in this war. But, if an Iraqi loss were to be imminent the situation would change. The West would never allow the formation of an Iran-Iraq-Syria axis, being perfectly capable of thinking in terms of creating a Kurdish state in order to cut into the axis. They may, on the other hand, force Turkey to plunge right into the axis zone."

Looking at recent Kurdish overtures toward Ankara it is just possible that the two options could blossom in tandem!

Commentary Sees Foreign Policy Hostage to U.S. Loans

35540126a Istanbul *TERCUMAN* in Turkish
1 Mar 88 p 4

[Commentary by Fahir Armaoglu]

[Text] The Defense and Economic Cooperation Agreement [DECA] between Turkey and the United States, signed 29 March 1980 and expired 18 December 1985, was extended for another 5 years in a side letter dated 16 March 1987. Now, the ratification of the letter, by a government decree published in The Official Gazette on 28 February 1988, has added yet another surprise to the recent series of surprises in our foreign policy.

It may be recalled that the letter was signed after negotiations lasting one and a half years, starting September 1985. Turkey then had a number of grievances concerning DECA. During the 1980 to 1985 period the agreement had not worked to Turkey's satisfaction. Therefore, Turkey wanted to see some changes in the text, demanding in particular that the amount of military aid be specified. But, it could not get the desired result. It was then decided to draft a side letter, to be based on American guarantees. But, just as the letter was being signed, an unfavorable sentiment emerged in the U.S. Congress vis-a-vis Turkey which caused the Turkish government to withhold the ratification.

The withdrawal of ratification did not make all that much difference in practice. But, two points have emerged out of this development. One had to do with the legal aspect: In the absence of a 5-year agreement DECA was automatically renewed on an annual basis in line with Article 7 of the agreement. In fact, when the U.S. Embassy in Ankara suggested that DECA had been extended for a further 5 years the Turkish Foreign Ministry had to step in and issue a statement specifying that the extension was to be on an annual basis. But, the gist of the matter is that the agreement is still in force. The operation of the bases and installations has not been affected.

Second, the withdrawal of ratification, apart from being a fairly standard reaction by Turkey, has constituted a means of pressure over the United States—a Sword of Damocles hanging over America since Turkey was entitled to demand revision of the agreement every year as 18 September approached. Added to this was the cool sentiment toward the United States, reflected in the president's cancellation of a scheduled visit to America.

But, whichever way one looks at it nothing has come out of these potentially favorable aspects during the last two years and the United States continued to do as it pleased. This is demonstrated by the severe cuts in the 1989 aid program and the Human Rights Report published by the U.S. State Department in which our Kurdish citizens are referred to as a national minority. These should be viewed as U. S. pressure tactics to counter Turkish

attitudes with regard to DECA. In the end, America won. And, as Turkey's current foreign policy is largely predicated upon economic factors, the question of military debt to the United States has forced the Turkish government, reluctantly, to a change of policy. We believe there are lessons to be drawn from this episode.

12466

Commentary Cautions Against Rash PLO Policy, Offending Israel

35540142a Istanbul *TERCUMAN* in Turkish
4 Apr 88 p 6

[Editorial by Yilmaz Oztuna]

[Excerpt] Also worth noting is the fact that [the government] has adopted a clearly supportive stance toward the PLO. The question is why. The Palestine problem is not a Turkish problem. Our sympathy toward the Palestinians may be due to our common religious heritage, the [Ottoman] legacy of having governed them for centuries, as well as humanitarian reasons. As for the PLO and its affiliated organizations, they have been much too close to international anti-Turkish terrorist groups for some time. Even in issues such as Cyprus and Bulgaria, where we have solid cases, they have chosen to go against us despite the fact that these very issues are of importance to the Islamic world as a whole. I very much hope that sufficient guarantees have been put in place so that such attitudes will not be forthcoming in the future.

It is one thing to support the Palestinians and another to support the PLO. We know full well that many Arab governments do not think very highly of that organization either. And let's not forget that Turkey maintains an intricate series of relations with the United States. Turkey also happens to be a part of the West European community.

Had we had the Jewish lobby on our side, the influence of the anti-Turkish Greek and Armenian lobbies would have been reduced to zero. The Jewish lobby has maintained a neutrality regarding Armenian and Greek activities because they are grateful for the humanitarian way the Turks have treated the Jews during the past 500 years. But, if they were to decide to come on board with the Armenians and Greeks a lot of balances would change.

Therefore, it is risky to give without knowing what we are getting in return. Of course, we will demand the evacuation of Palestine [the occupied territories] by the Jews. But, any co-operation with the PLO has to be tied to clearly stated conditions. That does not merely address the PLO but is pertinent from the viewpoint of the whole Arab world as well.

In fact, in extricating itself from the Arab population under its rule and aiming for peace, Israel would become a state indispensable to the balance of power in the

Middle East. Today, Israel behaves in much the same manner as its adversaries—terrorizing, throwing bombs, engaging in aerial bombing and so on. It has to come to the realization that the Muslim world will never agree to leaving the Dome of the Rock as well as the occupied territories [in West Bank] and Gaza under permanent Israeli rule. But, that realization can only come when the present generation of Israeli leaders, who established their state by terrorist methods, leave the scene. It is only then that Zionist methods will no longer be in use. Now, the oppressed people of Palestine have started a struggle for national independence but I do not see the necessary connection between that struggle and the PLO.

Turkey can rely primarily on Saudi Arabia, and also the Gulf monarchies, Jordan, Egypt. It cannot trust the Syrian and Iraqi regimes at all. Syria is an extension of the Soviet Union, encircling Turkey from the south and the Arab world from the north. Whatever the case, Turkey is determined to maintain a higher profile in the Islamic world. But, let's remember that the Islamic world is not monolithic and that every country has its particular conditions.

Peace in Palestine, if and when it comes, would be favorable to the interests of the United States, Israel and the Islamic world but unfavorable to Russian interests because it would remove a thorn in America's side. And, such a peace can only come about when some rigidly conservative people in Israel no longer hold the levers of power and when the celebrated ingenuity of the Jews carries the day. With the \$10 billion it receives annually from American Jews, Israel, though within narrower boundaries, can yet become another Switzerland. There will come a day when the Jew will also get tired of this war, when it will be seeking peace, tranquility, and prosperity...

12466

Commentary Considers Flux on Left to be Necessary Shakedown

35540126c Istanbul *HURRIYET* in Turkish
1 Mar 88 p 16

[Editorial by Ertughrul Ozkok]

[Text] Erdal Inonu must understand how Bulent Ecevit felt. The problems dogging the Republican People's Party (RPP) in its later period all seem to have conspired to assail Inonu these days.

Inonu is seen, for the first time, dwelling on this problem. Admitting to a dispute between the Party Assembly and himself for the first time, he has attributed this to the dual structure that emerged during the last Extraordinary Congress. Inonu is uncomfortable with a situation where the Party Assembly opposes every decision taken by the Central Executive Council. Ecevit was also burdened with that problem during the later period of RPP.

The Party Assembly and the party leader are two organs selected by the Congress, the highest decision-making body in the party. Inonu made it clear yesterday that he will not be able to work with the Assembly anymore. The Assembly, for its part, issued a statement immediately following the leader's announcement of his resignation, indicating that a search for a new leader was under way (sending Inonu to his "rightful place" in history). All this indicates that the two organs selected by the Congress are now on a collision course.

Between the two party congresses, the Assembly is the most authoritative organ of the party. It can exercise the power vested in it by the Congress. Inonu's problem is not simply that these powers are used. When they are used within certain parameters there should be no problem. But, the SDPP Assembly happens to be constituted in such a way that 24 of its 44 members are non-deputies. Many of them have either lost the nomination race or could not get elected in the general elections. As Inonu pointed out quite openly yesterday, these individuals are viewing the results of the general elections as unsuccessful on SDPP's part and blaming the Central Executive Council for that, indirectly pointing fingers at the party leader. Inonu is not happy with this atmosphere of sulking.

A second problem, not as openly admitted as the first one, that concerns Inonu is the prospect of the Assembly becoming a sort of trampoline that would catapult Deniz Baykal to party leadership (rather than being an organ that would improve the party's performance). Baykal now controls most of the Assembly. This would have meant probable defeat for Inonu at the next party congress in June, if this Assembly is allowed to take the party to the convention. In order to stave off probable defeat Inonu has decided to take action. In less than 48 hours he offered to resign only to withdraw his resignation shortly afterwards—which can only be described as radical (or dramatic) action.

We might well ask what conclusions are to be drawn from this remarkable 48 hours in the life of SDPP. For one thing, the number of those viewing Inonu as a permanent leader in the Turkish political scene has declined. But, as mentioned in the Assembly's statement the other day, this does not mean that Inonu's historical mission has ended. It is quite clear that the social

democratic movement in Turkey is yet to get its act together, and that is something neither SDPP nor Democratic Left Party (DLP) is capable of doing on its own. Thus, the social democratic movement is increasingly in need of new departures.

The question is whether these two movements (SDPP and DLP), which could not come together even during the most crucial times, could attain unity. That does not seem possible from the viewpoint of either party. And, a good part of the SDPP members do believe that DLP, which could not secure even the required percentage in the elections for getting seats in the General Assembly, should bow out of the race. But, the misfortunes of DLP do not necessarily translate into SDPP fortunes. Many SDPP members, though not seeing further hope in Inonu, are apprehensive of the possible leadership of Baykal which, they feel, might divide the party in two.

Ecevit is reported to have told his close advisers in no uncertain terms that he would not accept the leadership at the DLP convention next Sunday. This could be interpreted as evidence of his belief that the Left is in need of new departures. His often-repeated theme of "cooperation for local elections" may be seen as yet another indication of that.

In short, a new era is starting for both leaders both of whom having decided to end their political careers have also rescinded those decisions—one of them formally, the other de facto. For them, this new era will be conducive to reflecting on new departures. Then, and only then, can Inonu's historical mission come to an end.

12466

Fund Established for Donations to Afghan Rebels
35540126d Istanbul TERCUMAN in Turkish
1 Mar 88 p 7

[Excerpt] Many of my readers asked me how they could send help to the Afghan mujahedeen. The Turkish Red Crescent has opened an account at Ziraat Bank, so you can deposit your donations at any of its branches. Your contributions will reach the mujahedeen, primarily the Afghans of Turkish descent who have been denied aid so far.

12466

PORTUGAL

'Euro-Atlantic' Character Stressed at International Conference

IBERLANT Reinforcement Discussed

35420082a Lisbon SEMANARIO in Portuguese
7 May 88 p 27

[Article by Jose Pedro Barreto]

[Text] In a speech delivered at the First Atlantic Conference held in Funchal last Saturday, Alvaro Vasconcelos, the director of the Strategic and International Studies Institute, said, "The Portuguese government has spoken in favor of reinforcing IBERLANT through the integration of the Azores (which are currently part the Norfolk, USA, based WESTLANT) in this command."

The sentence struck deeply into the soul of one of attendees, the charming Spanish admiral, Jesus Salgado Alba. So much so that he quoted it when he in turn spoke. Having shown his enthusiasm for the idea, he was asked to explain by former Portuguese foreign minister Jaime Gama. Salgado Alba stated that this was a purely personal enthusiasm and did not reflect the official position of the Madrid government. Adm Alba belongs to the Spanish Institute for Strategic Studies and he brought to this forum of experts from 14 nations a key problem in the Luso-Spanish controversy in the security field.

The crux of the matter lies in the Spanish attitude toward NATO and the terms under which it wants to contribute to the alliance. The result of that attitude, according to Portuguese experts, can be resumed as follows: "push" Portugal into a purely Atlantic and less important role while Madrid takes over control of areas that are part of Portugal's strategic interests within NATO. Spain is not integrated in the alliance's military structure. However, it wants to gather the full benefits of being integrated in the political structure. In its military participation proposals, in the event of a conflict, it "projects all of its strategic interests in the area, achieving a perfect sum of advantages without accumulating any of the inconveniences," said Jaime Gama.

For many Portuguese security experts and leaders, expanding IBERLANT (the NATO command that includes continental Portugal, Madeira and the Canary Islands) to include the Azores would meet those Spanish strategic interests. Alvaro Vasconcelos said, "To split the current IBERLANT into a northern command comprised of the Azores, Madeira and continental Portugal under the command of a Portuguese admiral, an area of essentially Luso-American responsibility, and a southern command with Spanish responsibility would increase the exclusiveness of the Luso-American security relation and remove Portugal from areas of vital interest to its security and foreign policy, such as the accesses to the Strait of Gibraltar, north Africa, and the south Atlantic."

To Alvaro Vasconcelos, favoring the reinforcement of IBERLANT by integrating the Azores "is not incompatible with Portugal's need to uphold that the southern zone of IBERLANT be kept in this command. The creation of a subcommand in the Canary Islands should be done maintaining a Portuguese admiral as CINCI-BERLANT (commander).

The inclusion of the Azores in IBERLANT "would not compensate the loss of responsibilities (demanded by Spain) over the approaches to the South Atlantic (Canary Islands) and the Atlantic approaches to the Strait of Gibraltar," wrote Jaime Gama in this newspaper in December 1987. At that time, the Spaniards' "six points" were already known. These are the six missions that Spain claims for itself in order to participate militarily with NATO. They make up the proposal given to Lord Carrington, secretary general of the alliance, in March.

These points are: defense of Spanish territory; naval and air operations in the eastern Atlantic; control of the Strait of Gibraltar and its accesses; naval and air operations in the western Mediterranean; control of the air space; use of Spanish territory as a transit or support point for the rapid reinforcement of Europe. These six points comprise "the full representation of Spain's strategic interests," which is commendable from a Spanish point of view but harmful to Portuguese interests. These interests do not only lie in the so-called Lisbon-Ponta Delgada-Funchal "strategic triangle." In reality, they project beyond the Azores and Madeira. They include a vital area: the access to the Strait of Gibraltar. Portugal cannot remain outside the "Balearic-Strait-Canary Islands strategic axis" which Spain considers to be vital (and which creates friction with Great Britain because of the Rock and with Morocco because of Ceuta and Melilla). This is why Portugal—a Euro-Atlantic rather than an exclusively Atlantic country—should be included in a division of naval tasks in this vital area of its security.

This question is of particular interest to Portugal and it is as much related to a definition of our relationship with NATO as it is to the creation of a modern Portuguese national defense doctrine. It inevitably arises at meetings, such as the one held in Funchal a week ago, where national defense questions are analyzed. In a general sense, these questions are related to a clear definition of the threats. This was another hotly debated point. Created as a counterweight to Soviet power in Europe, the western alliance is now confronted with a USSR that is undergoing an accelerated "reconversion" under Mikhail Gorbachev's leadership.

Out of the many presentations and the discussions that arose, one conclusion emerged: the need for a "broad and open" political dialogue with the Soviet Union (Cyril Townsend, British Conservative Party deputy). "We must explore the most recent Soviet thinking and follow the changes that are being made to the system.

Where precisely is the opposition and what is its strength? Perhaps the leadership is facing uncomfortable uncertainties, will they really know what their objectives are in Europe?"

In a speech that was essentially a profession of faith in Europe, CDS leader Freitas do Amaral indicated that "we are facing a restructuring of Soviet foreign policy priorities. It is clear that Europe will be that superpower's top priority in the coming years." To clarify this conclusion, Freitas do Amaral referred to the "gradual" retreat of the Soviet effort (not to say imperialism) in Afghanistan where the Red Army is going to withdraw "under circumstances that are difficult to classify other than as a military defeat," Angola where "there is a sense of change in Soviet policy," and Nicaragua which is "suffering the effects of a certain lack of interest on the part of the Russians."

The First Atlantic Conference was organized by the Lisbon Association for Social Cooperation and Development. The theme of the conference was "The Soviet Challenge". It brought together politicians and scholars from 14 countries who analyzed such topics as the new western strategy in view of changes in the USSR, democratic development in southern Europe, the importance of the Atlantic islands and peripheral areas in Euro-Atlantic security, the terrorism phenomenon, pacifism and neutralism. Such people as Freitas do Amaral, Jaime Gama, Jose Luis Nunes, Jose Miguel Judice, Jose Lello, Pacheco Pereira, Jaime Nogueira Pinto represented the Portuguese side in what was a spectrum of the most important currents of Portuguese political thinking.

Reported Spanish Plans Need Attention

35420082a Lisbon DIARIO DE NOTICIAS
in Portuguese 10 May 88 p 7

[Article by Virgilio de Carvalho]

[Excerpt] Portugal's borders have always been more a part of the intellect and desire of the Portuguese than they have been geographic. It is thus distressing to see how the strategic borders of powerful friends and allies attempt to advance on Portuguese borders in the face of an alienated national public opinion. This is the case with Spain's alleged area of strategic interest that has once again been publicized in the influential EL PAIS (20 April 88). It extends over Portugal's own territory and stops just short of the Azores, curiously on the meridian where NATO's WESTLANT command stops (it includes the Azores) and borders on the Portuguese IBERLANT (which only includes Madeira and continental Portugal). The only thing missing, let us suppose, will be for one day to have Morocco with a possibly even more accentuated Atlanticism to start publishing maps with its own area of strategic interest that encompasses the Canary Islands and Madeira to the west to complete the potentially lacerating centripetal encirclement of Portugal's legitimate strategic space.

The interest of the above mentioned neighbors in Portugal's strategic space arises from the fact that it is truly important and from their perception that it is not cohesive and protected by Portuguese public opinion. For this reason, it is urgent for Portugal to acquire its own geopolitical rationale directed toward the Atlantic (right on the latitude of New York) and not toward southern Europe or the Mediterranean—the rationale of a country that knows it is an Atlantic component of the defense of Europe without ceasing to participate in land defense. For Portugal only an IBERLANT that includes the Portuguese Azores and not the Strait of Gibraltar and the Canary Islands, which are poisonous presents that push it toward Spain's strategic area of interest, is of interest. It should intentionally coincide with IBERLANT where there is a risk of strategically uncoupling the Azores and subordinating Portugal within its own maritime border through the progressive cooperation Madrid aspires to have with the region's NATO commands. As for the maritime border, it is the affirmation of Portugal's individuality, its development in security and its commercial potential where, in addition to the enormous EEZ, there may be oil to be explored.

The United States will understand, now that there are divisions in NATO, that the ally in the region with a true need to be in the same Atlantic defense boat (as its old English ally) is the Portugal that became Euro-Atlantic in order to resist its neighbors centripetal continentalist forces. Therefore, it should be proper for it to protect Portugal's Euro-Atlantism by changing WESTLANT's border west of the Azores. The Portuguese will understand that they need national defense in order to have a foreign policy that measures up to its "geofactor" importance.

09935

SWEDEN

Prime Minister Enters Debate on Arms Exports

Issues Warning to Industry

36500108 Stockholm DAGENS NYHETER in Swedish
17 Apr 88 p 12

[Article by Kaa Eneberg: "Shady Deals Stop Arms Exports"]

[Text] Prime Minister Ingvar Carlsson indicated Saturday to party friends in Solleftea a readiness in the future to reduce and possibly to completely stop Swedish arms exports. For the first time openly he said calmly and seriously that all the arms scandals have become a burden for Swedish foreign policy.

Ingvar Carlsson, who spoke Saturday at an open meeting in the community center in connection with Angermanland's district party congress, also gave his sharpest warning up to now to the Swedish arms industry: "Either there must be such a restructuring within this important

sector (arms industry) that respect for law and order becomes absolutely clear, or Swedish arms exports must be sharply reduced or completely stopped," Carlsson said.

The whole audience of 200-300 party friends that filled the auditorium applauded enthusiastically, not the least, Swedish Social Democratic Youth League Chairman Anna Lindh, who sat in one of the front seats. She was a strong leader of the group in the party who, at the Social Democratic party congress last fall, wanted to have sharply reduced weapons sales from Sweden. To DAGENS NYHETER she also expressed her full approval of the government leader's new, hard tone.

The arms dealers' obedience to the law and their conduct will be considered in the total investigation of the Swedish arms industry that the Social Democratic meeting demanded as early as last fall, Carlsson explained.

The investigation will try to find out whether, as all Swedish governments in modern times have maintained, it is really necessary for the Swedish arms industry to export weapons in order to handle the arms production necessary for Swedish defense.

In the press conference that followed, the prime minister promised that the investigatory group would be formed "in any case before the elections, but preferably as soon as possible." Carlsson said that the reason he had not immediately put the congress' demand for such a group into effect was that "the work is so extremely complicated and a very important assignment." To have a good basis for beginning the investigation, the government has also wanted to wait for the so-called civic commission's investigatory work.

Reduction

At the press conference he also explained that he thought it was "realistic to assume" that arms exports would be reduced in the future.

"There is a very strong connection between exports and the ability to finance arms production, the arms the Swedish defense forces need. How strong this connection is will now be investigated. The strength of the so-called connection will determine how much it would cost to stop exports and to produce only for Swedish use instead."

Carlsson said that he obviously was ready to limit the weapons industry's large profit margins.

Shady Methods

"If they can make extra large profits by producing for the Swedish defense forces and "taking home the amount they have estimated" and also earn a lot of money abroad, then there is no reason to continue arms exports," Carlsson said.

After having said within the chambers of the party meeting that he was speaking mainly as the party leader and not as the prime minister, Carlsson gave what he called a personal declaration about arms deals and the participants in them.

"In my quite long time in politics I have never seen any other industrial branch in which respect for law and responsibility to the country is questioned so openly.

"And I must say that shady methods and a lack of honesty and business ethics that is foreign to our country were revealed last year."

Doubt Has Set In

Are these malpractices in any way built into the very system surrounding arms sales? Are there forces and mechanisms here that we cannot control by the usual democratic institutions and methods? These are two questions that Carlsson says he has asked himself and now wants clarified.

In his serious introduction, Carlsson said that arms deals "are extremely important for our country's security and independence."

"They also concern what Sweden is and stands for in the eyes of the world. They concern our ability to conduct a productive, active foreign policy."

The prime minister said that in his personal contacts he has not heard Swedish foreign policy questioned. But what he has read in foreign journals and newspapers has been enough to see that there is doubt.

To party friends he admitted "that there are reactions abroad that are disturbing."

Burden

"This is disturbing because it affects the world's view of Sweden."

He said that besides affecting the social climate in Sweden, arms deals have become a foreign policy burden.

"Let us tell it as it is. It is not so easy for Sweden to be active in work for international disarmament and to urge reduced military means in settling conflicts when important Swedish firms are suspected of having delivered arms and ammunition to countries where they are not permitted—in spite of the fact that this occurred without the knowledge or permission of the government."

On Sunday Carlsson will take part in Jamtland's district congress in Strömsund.

Paper Criticizes Carlsson's Statements

36500108 Stockholm *SVENSKA DAGBLADET*
in Swedish 18 Apr 88 p 2

[Editorial by Fredrik Braconier: "Pure Nonsense, Mister Prime Minister"]

[Text] On Friday it was revealed that the government in March 1986 approved the export of Swedish arms to Saudi Arabia. It concerned a Swedish countermeasure system that has been mounted on the advanced fighter aircraft Tornado—a cooperative aircraft program between West Germany, Great Britain, and Italy. The plane is now being delivered to Saudi Arabia, which, because of the eternal conflict between Israel and the Arab states, has had difficulties with arms deliveries from the U.S. A week ago it was also revealed that Saudi Arabia has bought intermediate range missiles from China.

On Saturday in Solleftea Ingvar Carlsson talked about Swedish arms exports. The prime minister said, among other things: "It is not so easy for Sweden to be active in work for international disarmament and to favor a reduced use of military means in solving conflicts when important Swedish firms are suspected of having delivered arms and ammunition to countries where this is prohibited—in spite of the fact that this has happened without the knowledge or permission of the government."

Carlsson is not the first to express such thoughts. Foreign Minister Sten Andersson said about the same thing long ago when he promised a general cleaning up of the weapons situation. But his talk proved nothing more than just that.

It seems that the prime minister is trying to say that only possibly illegal arms exports present a problem for Sweden in international disarmament. The legal export on the other hand obviously harmonizes well with peace work. The difference between legal and illegal export is only that the government has given its support to the former.

Who believes Ingvar Carlsson in this tricky quibbling? Let us take Saudi Arabia for example. In general, this country and the other Middle Eastern states have been forbidden territory for Swedish exports. That is to say, deliveries to this area damaged the prime minister's peace work. But when the government gives permission for equipment for the Tornado, all such difficulties suddenly disappear.

Obviously this is pure nonsense. As a matter of fact, Carlsson's argument has no basis in reality. The fact that Swedish anti-aircraft missiles and grenade launchers are found in "forbidden" states such as Dubai, Bahrain, Zambia, and Botswana has not called forth any global outcry. Much greater international attention has been

awakened by the quite legal gigantic deliveries of heavy artillery to India because of the extent of the business and the close connection with the then prime minister.

Obviously weapons exports should be legal. They concern foreign policy, and here the country's government must be able to make decisions. But if Ingvar Carlsson and other politicians—they are not all Social Democrats—would quit playing the hypocrite so desperately, Swedish weapons exports would probably not be the great domestic political problem they seem to be.

The fact of the matter is that the main part of the Swedish arms industry could not survive without significant exports. Orders from the economically squeezed Swedish defense forces are not enough. It is significant that the Karlskrona shipyard, which lacks foreign military business, is threatened with a partial shutdown. If the prime minister wants to let the crisis roll over other firms and areas, he can best achieve this by talking about it before the elections.

But Karlskrona can at least feel a certain basic security in any case. If I read the government's cannon agreement with India correctly, Carlsson promised that the Swedish defense forces should "indefinitely depend upon Bofors' technological and industrial resources."

Foreign Minister Cites Need

36500108 Stockholm *DAGENS NYHETER* in Swedish
20 Apr 88 p 6

[Article by Dick Ljungberg: "We Must Have Arms Exports"]

[Text] Foreign Minister Sten Andersson believes in continued Swedish arms exports. When the constitutional committee questioned him Tuesday, he was more categorical on this point than Prime Minister Ingvar Carlsson was in his speech at Solleftea Saturday.

This speech might give the impression that exports could stop completely, but Sten Andersson thinks that the prime minister overestimated.

"I think that if we are to provide the Swedish forces with the arms they need, then for technical and economic reasons we must have arms exports," Andersson said. "But we will find out how much export is necessary."

Carlsson also threatened to limit or completely stop arms exports if the firms did not follow the laws and regulations. Andersson thought that the new control measures being introduced should stop illegalities. "It is not the laws and regulations that have put Sweden in a bad position, but the firms' break with the regulations," he said.

Just a year ago the foreign minister made the famous statement that "arms deals will be cleaned up thoroughly and publicly." Much of the constitutional committee's

questioning of him therefore dealt with confidentiality and foreign secrecy. Andersson displayed his usual spirited mood, but he ended with a squabble with the committee's deputy spokesman, Anders Bjorck (Moderate).

Andersson made continual assurances that everything will be examined under the microscope. If everything cannot be done openly, the material will be handed over to the constitutional committee and the civic commission. The foreign minister said he was "almost eager" to come back to the committee for the interview behind closed doors.

Foreign secrecy is extremely important, he explained. Not the least to safeguard military or technical secrets, so that other states can feel sure that what is said in confidence to Swedish representatives will not come out. Particularly for a neutral state it is important for security policy to obtain reliable information.

Andersson took as an example the memoranda concerning the former foreign minister, Torsten Nilsson, and the FFV business principally with Zambia in 1965. In them an account was given of the conversation with British representatives and how they reacted.

A Question of Confidence

"The four memoranda concerned completely acquit Torsten Nilsson of suspicion of having known about the FFV business, so politically it would have been advantageous to release the negotiations. But if we reveal such conversations, there will be a risk that Great Britain and other countries as well will lose confidence in us.

This was a complaint against Anders Bjorck, who in an earlier committee hearing had read out various sections of these negotiations.

"I don't want to say that there was anything very unusual in what was read out. But just the fact that we give a signal that we in Sweden are so talkative and open gives rise to the suspicion that Sweden would reveal information of a more serious nature," Andersson said.

A long exchange followed between the two in which Bjorck accused the Foreign Office of having leaked to harm a party leader. This concerned Carl Bildt's accusation that the Swedish ambassador in Washington made a false report in the case of the captured Swedes in Angola. "Andersson was satisfied with this leak," Bjorck said.

"You do not keep things secret when it doesn't suit you," he said. Then the foreign minister became upset. "I have had a strenuous schedule, and it would be easy for me to lose my temper," he warned Bjorck.

"The least I can ask is that you do not tell lies about me in the committee," he said. There is no proof that the information in the Bildt case came from the Foreign Office."

A Defense

Birgit Friggebo (Liberal) thought that the foreign minister made a splendid defense of Swedish arms exports, but that he also spoke with a forked tongue. Andersson's message did not agree with Ingvar Carlsson's.

Friggebo and Nils Berndtson (Communist Left Party) brought up the agreement between the Swedish and Indian governments on the assurance of delivery even during wartime of Bofors howitzers to India. Friggebo wanted an analysis of the effect of arms exports on Swedish neutrality and security policy, but Andersson would not agree to this.

09124

Officers, Researchers Question Government Will in ASW Effort

36500097 Stockholm SVENSKA DAGBLADET
in Swedish 16 Apr 88 p 12

[News analysis by Lars Christiansson: "Western Criticism of Swedish Passiveness. Will To Sink Subs Questioned"]

[Text] The credibility of Sweden's security-political course is sagging more and more. If the Swedish government were to take Sweden's problems seriously, it would put more effort into the submarine defense. The question is whether Sweden really wants to sink a submarine or even identify the nationality of the violating subs.

This could be an outline of an approach to the Swedish security policy, which is growing increasingly stronger among certain key personnel in the West.

Persons both inside and outside government offices in several Western European capitals, as well as in Washington, are discussing Sweden's situation in these terms.

It is known within the Ministry of Foreign Affairs and the Defense Department in Stockholm that viewpoints of this kind are presented more and more often during discussions of the submarine violations and Sweden's relations with the Soviet Union. Swedish diplomats, both at home and abroad, have reported, as a matter of course, that they have encountered this approach when talking to foreign colleagues. Lately, however, the comments questioning the Swedish security policy have become more frequent.

What is also new is the fact that, in talks with Swedish diplomats, prominent politicians and diplomats in the West, on their own initiative, have questioned whether

the Swedish government seriously wants to catch a submarine. It has been suggested that maybe Sweden, at all costs, wants to avoid a conflict with the Soviet Union.

The questions often have the following themes:

Do Something

If it is a fact that the violations continue, and this is what you are maintaining, why don't you do something about them? Is the Swedish Navy really allowed to sink subs, as your prime minister says? The government will not accept any determination of the nationality of the violating subs, since it does not want a conflict with the Soviet Union, etc.

Similar opinions were conveyed to a Swedish diplomat in Bonn shortly before the end of the year by a very prominent West German politician.

It is difficult to judge the extent of the lack of confidence in the Swedish security policy. It is evident, however, that it has grown stronger over the years and that it is based on the Swedish inability to stop the submarine violations.

Not Discussed

It is in the nature of the thing that the Ministry of Foreign Affairs and the government cannot discuss the matter openly. It is equally evident that the Ministry of Foreign Affairs outwardly does not want to admit to any concern over evidence of a lack of confidence, while at the same time eagerly asserting that the confidence in Sweden's policy is unchanged in the rest of the world.

However, the critical assessments above are also reflected in the public debate. The SVENSKA DAGBLADET mentioned last Monday that officers at the defense department in Bonn feel that it is not enough that Swedish government politicians appear resolute on TV. Swedish foreign policy must be supported by sufficient military resources so that the fight against the submarines "does not become a paper tiger."

The West German chief of staff at the NATO headquarters in Kolsas outside Oslo, Klaus Jurgen Steindorf, told Swedish journalists last November that "the Swedish Navy is poor in quality and in its ability to apply modern technology," meaning that the technology exists but that Sweden, for reasons known only to the Swedes, does not use it efficiently.

On the same occasion, even the Norwegian rear-admiral, Otto Orning, mentioned the deficiencies in the Swedish Navy's ability to hunt subs.

The former ambassador and under-secretary of state, Sverker Astrom, as well as the assistant secretary, Katarina Brodin in the Ministry of Foreign Affairs, encountered a tangible distrust of the Swedish security policy during a security-political seminar at the University of California in Los Angeles (UCLA) on March 1-3 of this year.

It was not the first time that Astrom found himself in a reality where no one believed in Sweden's will to sink Soviet subs. It also happened at the Wilson Center in Washington last year. After Los Angeles, however, both Astrom and Brodin came home and reported that "they no longer believe in us." Astrom, who made long speeches at the seminar on behalf of the Swedish policy, wrote a serious memorandum about his impressions when he came home.

"The most interesting aspect of the seminar, from a Swedish point of view, was that many of the American participants, both in their speeches and privately, expressed strong doubts that the Swedish government really has done everything in its power to identify, force to the surface or destroy the submarines that have participated in the violations of Swedish waters," he wrote.

Astrom mentions that the American scientist, Milton Leitenberg, who used to live in Sweden, and who has written a critical book on the theme that the government does not want to sink Soviet subs, was present at the seminar. Astrom continues:

"More important is the fact that a scientist from the Rand Corporation, Gordon McCormick, maintained that the Swedish Navy, on several occasions, had not taken advantage of available opportunities to act decisively against encroaching submarines, among other things by not deploying magnetic coils. The clear implication was that the passiveness was due to a desire on the part of the Swedish government not to get into trouble with the Soviet Union."

Private Question

Astrom mentions that he asked McCormick privately what occasions he was referring to. McCormick particularly mentioned Uto, Malsten, Harsfjarden and Karlskrona. The American scientist also explained that he was carrying out a study, ordered by the head of the United States Air Force, on how Sweden is handling the submarine violations.

Astrom mentioned further that even Dr. Robert Hunter, a renowned scientist at the Georgetown University in Washington, DC, expressed the same opinions in a private conversation. Astrom says also that Steven Koblik, an American historian well known in Sweden, has claimed that he found out from the cabinet council committee in Stockholm that the Swedish government

does have available even stronger proofs than those of Harsfjarden in 1982 that the submarines which violated Sweden in 1987 came from the Soviet Union.

"These opinions were stated by academicians and it is difficult to assess their importance. They should not be underestimated when one considers the close cooperation between the universities and the administration in the United States. Furthermore, in the case of McCormick, the study had been ordered by military authorities.

"The matter appears very serious to me. If the above-mentioned opinions eventually meet with sympathy in Washington, it will mean a troublesome mortgage on the credibility of our security policy," states Astrom in his memorandum.

Swedish Speculation

On the part of Sweden there has been some speculation about the fact that the western interest in the submarine violations for so long has been relatively limited. It is now evident that that picture is beginning to change. The basis for the lack of interest is probably the fact that, from the point of view of the Western Allies, the strength of the Swedish Air Force has been the deciding factor in judging the Swedish security policy. This in turn is due to the strategic assessment that, in a conflict between East and West, there would be a completely decided advantage to the Soviets if they could make use of Swedish air space in order to attack southern or northern Norway.

Respect for the Air Force

So far the strength of the Swedish Air Force has met with great respect in the West, even though there might be a certain concern about the future, that is to say whether Sweden will have a sufficient number of aircraft to deter the Soviet Union from trying to utilize the Swedish air space.

It has surely been noted that the Swedish Navy, as well as the Air Force, has been halved during the past 25 years. As time has passed and the submarine violations have managed to continue virtually undisturbed, it is natural that the weaknesses in the Navy, contrasted against the government's declarations that the submarines are to be sunk, have led to the appearance of more and more question marks among viewers in the West as to what the Swedish government actually wants.

One of the reasons why security-political analysts in the West are beginning to look with more interest at the submarine violations in Sweden can be sought in the role the violations might play in a situation where the Soviet Union, using sabotage troops, might be able to eliminate important command functions in Sweden during the initial stages of an East-West conflict. Thereby, the Soviet Union would be able to seize Swedish air space without any large military efforts.

Paper Cites Civil Preparedness Vulnerabilities
36500110b Stockholm DAGENS NYHETER in Swedish
17 Apr 88 p 2

[Editorial: "If the War Comes"]

[Text] If modern warfare were finally to come to a hightech, densely populated and consequently extremely vulnerable Europe, or even to Sweden, we should, according to the latest defense resolution, be able to count on a forewarning crisis period of a whole year. A fact that makes the assessment of the chances for import fairly optimistic. Following which, as far as we are concerned, there would be a short period of neutrality or, at the worst, a couple of months of war with a total blockade.

Therefore, the need seems to be gone for providing the country with several years' worth of food or for long-term storage of imported energy, industrial raw material, semi-manufactures and other vital necessities. A happy cost-saving thought that has its share of realism—who can imagine a long war in Europe any more?—but also a taste of what Wilhelm Agrell has interpreted as a tendency on the part of the changing doctrines of the military defense, to rearrange the "threat picture," every now and then, according to its ability to master it.

What we, in the civilian defense sector, can figure on gaining from a considerably shorter time of crisis and war, compared to the 1940's, may unfortunately have been lost in other ways several times over in today's Sweden. We are much more vulnerable, technologically, to acts of war or sabotage, which can relatively easily destroy the supply of electricity, data systems and telecommunications, water and sewers, transportation and other parts of the country's arteries and nervous system.

The mapping and preparedness planning which are now being done by the National Board of Civil Preparedness and by the new Rescue Department, the National Social Welfare Board as well as by county councils and urban districts, show, in sector after sector, a very great dependency on import and services from foreign countries. It is a matter of everything from agriculture to the simplest healthcare products all the way up to sophisticated key components for industry, data systems, etc.

Planning for the very unlikely and mainly unforeseeable, sometimes irreparable, if the war comes, and doing it rationally and somewhat economically, is a task on a par with the squaring of the circle.

For instance: Sweden comes to a halt without electricity. How then do you mobilize and transport materiel and troops, when, according to a study made by the Defense Research Institute (FOA) last year, you have to base your plan on the fact that the supply of electricity and, therefore, railroad transport will be gone and also that

the pumps at the gasoline stations will not be functioning? How do you manage the medical services when, according to other studies, only a third of the hospitals have satisfactory emergency power, a third somewhat acceptable and a third none at all?

The Defense Resolution of 1982 made it clear, that the preparedness of the medical services for crisis and war was frighteningly poor—there are no or only short-term supplies of dressing materials, disposable hypodermics, infusion fluids, medicines, disposable gloves, etc. If the crisis comes, former resources and personnel with a knowledge of sterilization and other elementary vital knowhow were and are gone. We still only have some 10 burn units in the entire country, etc.

Nowadays the government has transferred the responsibility for the medical service preparedness to the county councils together with a consolation prize of 500 million kronor. Which were taken from the 750 million that were cut from the air-raid shelter allocation, after the authorities realized that they could never build them fast enough to keep pace with the needs of the 14 larger population centers, which in the 1950's and 1960's did not get the normal complement of shelters, because it was thought then that they should be evacuated instead. That thought, it is now realized, was also unrealistic...

Despite the fact that everyone admits the need, there are no signs of any improvements in medical service preparedness. The government feels that it has done its thing, which is not the case, and the county councils feel that they do not have to do more than they have done, which is not much. It cannot continue like this. If a televised hearing in the Defense Committee is needed in order to bring pressure from public opinion, let it be done!

There are more unfathomable examples of how Sweden, with its eyes open, has been made unnecessarily vulnerable. Fiber-optic networks, costing many tens of billions, were built around the country, many of them run under a number of bridges that are to be demolished in the event of war (not counting the ones that will be demolished by the enemy).

The new AXE telephone exchanges, unlike the previous exchanges, are notable to alert customers automatically in case of danger. And it would cost too much (at least a billion) to rebuild them, if it were possible. Instead, there are plans for an alarm-system that can be turned on in new radios. But it will not work until all radios have been replaced. And they require electricity, battery power does not work. What if there is no electricity?

12339

FEDERAL REPUBLIC OF GERMANY

Compromise Sought in Credit Negotiations With Poland

36200098 Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 3 May 88 p 14

[Article by K.B.: "Debt Negotiations With Poland Become Ever More Difficult"]

[Text] Federal Chancellor Helmut Kohl's planned Poland visit will probably not take place this autumn. One of the most important reasons for that is the ever more difficult negotiations between the People's Republic of Poland and the FRG regarding fulfillment of the debt obligations of approximately DM12 billion in total. Of those, DM11 billion are state-guaranteed export loans. But for just one additional loan of DM1 billion, which had been granted in 1975 by Federal Chancellor Helmut Schmidt as a finance credit not tied to any specific purpose, interest in the amount of DM485 million has not been paid meanwhile. The search for a compromise has been unsuccessful so far. Latest reports on the Polish economic situation confirm that the Poles are unable to pay. The internal conclusion in Bonn on the status of the negotiations, about which nothing is said officially, is: "At present, nothing is happening."

A joint working group, "Economy and Finances," which had been appointed at the beginning of the year after Foreign Minister Hans-Dietrich Genscher's visit in Warsaw, met last week without any prospect of mutual agreement. Apparently one is now waiting for the meeting of the German-Polish economic commission in Hamburg at the end of June. The Federal Government seems to be willing to make concessions to Poland, but also expects clear concessions from Warsaw, such as relief for the Germans living there.

The negotiations are burdened by both political demands of the Polish government and by financial wishes of such magnitude that they cannot be fulfilled because of budgetary laws and budget risks. The Poles demand lower interest rates, cancellation of debts, resumption of export guarantees and billions in new loans for modernizing its economy not only of the FRG, but also of other Western creditor countries. Statements by the Polish government say that the West must stop its credit blockade and be willing to cooperate constructively with Poland, otherwise the country could not recuperate economically and service or reduce its debts. Existing interest rates for Western credits are criticized as "usurers' interest rates." Lately, the political demands by Poland also include that Bonn finance social benefits for former Polish forced laborers.

A particularly delicate point in the financial negotiations is the DM1 billion loan arranged by Schmidt through the Reconstruction Loan Corporation, which is called a "Jumbo credit" in Bonn. Warsaw demands that this loan

be changed into a "present." This was recently confirmed in a speech by Undersecretary Horst Teltschick, the chancellor's foreign policy adviser. Teltschick called it an unreasonable demand unacceptable to Bonn. For some time now, there have been differences of opinion with Warsaw on the interest to be paid. The Finance Ministry is sticking to international rules. Accordingly the earlier, heavily subsidized interest rate of 2.75 percent could no longer be applied, but rather the new interest rate customary after debt rescheduling. This opinion was confirmed at the beginning of the year by the Ministry for Economics. On the other hand, the Foreign Ministry seems to see the danger that German-Polish relations overall might suffer from these tough financial negotiations. Therefore, it is noticeable in Bonn that the Foreign Ministry urges concessions.

But in the case of financial concessions for Poland, up to a partial waiver of debts, the finance and economics ministries see not only additional budgetary burdens and risks. They also fear that other debtor countries might also demand similar special conditions as Poland.

Poland's total indebtedness to the West has meanwhile grown to \$30 billion. But despite Poland's financial difficulties, German exports continue within limits. This, however, is only done on the basis of compensatory transactions, goods for goods, or with short-term financing on the basis of bank guarantees.

9917

Hungarian Model Good Example for East-West Joint Ventures

36200095 Duesseldorf HANDELSBLATT in German
18/19 Mar 88 p 23

[Article by Roman Hummelt]

[Text] At present, East-West joint ventures find increased interest among decision-makers involved in the economic life of the FRG. Whether in the dinner speech by chancellor Kohl on the occasion of the visit of Hungary's Premier Grosz in Bonn, or visits by Economics Minister Bangemann and Minister President Strauss in Moscow, the subject of joint ventures is always a firm item on the agenda.

Why is so much attention being paid to that subject? Hardly because of the present importance of CEMA countries as an export market for the FRG. The share of European CEMA countries in the total foreign trade volume of the FRG is small compared to other trade partners, and recessive at present.

The reasons for this lie probably in the current events in the Soviet Union. Through "perestroika," the "restructuring" in the Soviet Union, and particularly through Secretary General Gorbachev, hopes are being raised for greater possibilities of economic cooperation between East and West. Closely linked to that are the covetous

glances of FRG entrepreneurs at the latently high, pent-up demand in CEMA countries, especially now when some of the classic export markets for the FRG have become problematical.

It is obvious that FRG entrepreneurs would like to have their foot in the door if new markets should develop in CEMA countries. And since joint ventures are permitted in all European CEMA countries—with the exception of the GDR—, these mixed companies offer a chance for cooperation. But the following maxim must be noted: "If it is already difficult to manage and control a U.S. subsidiary, this is all the more true for a joint venture with a social order alien to us."

How Much Success Is There?

The partners in the CEMA countries, on the other hand, have become aware that a joint venture can be a suitable tool for the urgently needed technology and capital transfer. Therefore, pressure is often exerted by CEMA trade partners on Western "court suppliers" to engage in a joint venture in the future. This pressure is all the greater, the smaller the lead in know-how or market domination of the Western partner.

Despite all the euphoria about East-West joint ventures—an information trip to Moscow has meanwhile become a "must" in entrepreneurial circles—one should not forget that much can be gained, but also lost, in CEMA countries. If it is already difficult to manage and control a U.S. subsidiary, this holds all the more true for a joint venture with a different social order. Actual experience with joint ventures today exists only in the People's Republic of Hungary.

And how successful are East-West joint ventures existing at present? Most joint ventures with partners from the FRG exist in the People's Republic of Hungary with about 30 mixed companies. Hungary, just like Romania, already permitted the establishment of joint ventures as of the 1970's.

Eight joint venture enterprises still exist in Romania, but they have largely failed by now; only sporadic pilot projects are known so far in Poland, Czechoslovakia and Bulgaria. Granting permission for joint ventures with Western partners, the Soviet Union followed the development in other CEMA countries; meanwhile there are now five FRG joint enterprises in the Soviet Union, and many others have been applied for. Although the subject of joint ventures is taboo in the GDR, behind the scenes there is much intensive thinking about new possibilities of cooperation with partners from other economic systems.

Results of an Opinion Poll

With the exception of the flops in Romania, actual experiences over a longer period of time exist only in the People's Republic of Hungary. These joint venture experiences by FRG enterprises with partners from the

People's Republic of Hungary are reflected in the results of a poll carried out by the author at the end of 1987. Within the framework of a practice-related doctoral thesis at the University of Budapest, 80 enterprises from the FRG, among them 17 parent companies of existing joint ventures, were asked about their attitude toward East-West joint ventures.

Most of the enterprises questioned would again get involved in the People's Republic of Hungary, preferably with joint ventures. The profit and loss account of joint ventures between enterprises of the FRG and Hungary is predominantly positive, even if one takes into account that the actual situation may have been painted rosier by the persons questioned. The decisive finding is that most of the enterprises would get involved again, preferably in the form of a joint venture.

It is significant that the most important reasons for involvement, such as economic factors, market access to the domestic Hungarian market, and the level of labor costs and qualification, have not changed markedly in Hungary since the founding of the company. These rather positive findings, however, must not conceal the fact that an involvement in the form of a joint venture can be connected with considerable problems.

One thing is certain: "The training process of Hungarian co-workers in the basic principles of a profit-oriented enterprise is expensive."

In general, a high degree of motivation was acknowledged in Hungarian managers and employees. In this context it is important to point out that the high degree of motivation in Hungarian managerial personnel and employees was achieved by performance pay. A certain negligence in handling and caring for company property was mentioned about Hungarian workers; for example, the fork lift sometimes "bumped into corners."

The long search for qualified Hungarian staff on all three levels proved problematical, as well as the time-consuming training process of managerial personnel in the basic principles of a profit-oriented enterprise. It was generally stated that it was easier to delegate qualified personnel from the FRG to Hungary than to other CEMA countries. Living conditions for the staff, and particularly for their families, were considered good in the People's Republic of Hungary. In this context, the language problem for personnel from the FRG was often addressed. Only in exceptional cases have co-workers from the FRG any knowledge of the Hungarian language. Although in most cases one can communicate in German, since a number of Hungarians speak German, understanding of the important nuances in cooperating within a joint venture company remains restricted due to the lack of knowledge of Hungarian.

Almost half of the joint venture enterprises have already dismissed Hungarian personnel within the framework of normal personnel fluctuation which exists during the

development and consolidation phase of a joint company. There were no serious problems with the trade union and the Party. In the question of management, the construction of parity management dominates, with one manager each.

There are problems in connection with filling the Hungarian manager post, since he is usually promoted on the basis of length of service. It becomes difficult if the Hungarian manager wants to spend his remaining years in service without running any appreciable risks.

One result of the study was: "A joint venture in the People's Republic of Hungary is no stepping stone for exports to other CEMA countries."

Of all FRG joint venture enterprises interviewed in Hungary, the products and services delivered to other CEMA countries represent only 1 percent of the total invoiced amount. This is due to the inflexible bilateral delivery quotas between CEMA countries.

The largest part of those products and services provided by joint ventures is billed to buyers in the Hungarian domestic market. Western exports, which the Hungarian People's Republic tries to push because of the chronic lack of foreign exchange, turn out to be problematical. To sell abroad entails travel, which is still regarded of great importance in Hungary. However, the ambition to sell abroad does not always correspond to actual qualification.

Among the existing joint ventures, almost 80 percent of the German parent companies call themselves market leaders or among the Top 10. This makes it clear that, so far, larger enterprises have dared to take the step to a joint venture. One-third of the enterprises questioned also state that price formation for the sale of products and services on the domestic market takes place within very narrow limits.

A further result of the study: "Only a small number of the FRG enterprises are interested in a majority of the company capital." During the founding process, due to the devaluation of the Forint between the time of concluding the contract and delivery of machine installations brought into the company, currency losses can occur. As a safeguard, the establishment of a credit recording account has proven useful. However, in case of bankruptcy, the investment protection agreement between the FRG and Hungary guarantees repayment of the capital paid in, but only at the exchange rate of the day.

Only a small number of FRG enterprises are interested in [having] a majority of the company capital. The reason is the awareness that in a CEMA country, the decision-making process of joint venture enterprises is determined by the regulations stipulated in the company contract and not by supposed majorities linked to the capital investment.

Procurement of the necessary foreign exchange for importing raw materials and packing materials for further processing leads to considerable difficulties—among other things, to only imperfect cost planning.

Considerable problems also arise from the complicated accounting guidelines prescribed in the People's Republic of Hungary. In order to solve the problem, at present in many cases one accounting is done at the joint venture company in Hungary, and one at the parent company in the FRG. By now, internationally active auditing firms have experts at their disposal who are familiar with the special features of Hungarian accounting guidelines.

The greatest risk connected with a joint venture in Hungary lies in the growing foreign indebtedness and the existing discrepancy between production and consumption. More than two-thirds of the enterprises questioned consider nationalization or freezing of the invested capital a small risk. However, fears were stated that difficulties could arise from the present foreign indebtedness and from the discrepancy between production and consumption in the People's Republic of Hungary.

The guarantee of profit transfers in DM is seen as the most important confidence-building measure on the part of the Hungarians. The importance of the investment protection agreement is rated to be middling, and the possibility of a capital participation of over 50 percent is given a low rating. But it was clearly stressed that the chance of relatively free travel to and from Hungary is of great importance.

In daily business, problems arise from non-existent or incomplete legal provisions. In border-line cases it is difficult to establish whether one or another legal provision cited by Hungarian negotiation partners actually exists, or if they are cited for tactical reasons.

It appears to be clear that a number of clear-cut legal regulations are needed to create a better basis for effective action in an atmosphere of mutual trust in the area of joint venture companies.

According to the persons interviewed, no problems have been identified in the research and development field. Hardly any research and development activities are carried out in the joint venture companies in Hungary. Two-thirds of the enterprises questioned called the services of transport companies and customs satisfactory.

Transport connections were also called satisfactory overall. But the assessment of communications installations in the People's Republic of Hungary was less positive. Almost half of the enterprises called them inadequate. Particularly during peak-load demand, the existing telephone and telex installations cause considerable communications problems.

The Structure of Management Boards

One of the factors for the success of a joint venture is awareness on the part of the German enterprise of who the Hungarian partner enterprise is and where its interests lie.

In this context, understanding the Hungarian mentality is considered of great importance—especially if it is a matter of understanding what message the Hungarian negotiation partner is trying to “put across.” Politeness, modesty, tolerance and patience, but also a good measure of cleverness are decisive also in dealing with Hungarian business partners. Also important are written approvals by Hungarian price agencies regarding price formation. In retrospect, in some cases a greater chance is seen in guaranteed market prices through fixed prices.

In connection with contract negotiations, it was stressed that independence of joint venture companies from their parent companies in daily business transactions must be stipulated. Of great significance herein is the structure of management bodies, determination of decision-making processes, and the selection of a qualified manager. It is pointed out that meanwhile in Hungary there exists the support of neutral Hungarian lawyers.

Furthermore, the quality of relations of the Hungarian joint venture partner with authorities and other institutions in the People's Republic of Hungary was greatly emphasized. Frequently it was because of the partner's good relations that problems could be solved which arise due to an uncertain legal situation in connection with cooperations in the form of joint ventures.

It Can't Be Done “par ordre du mufti”

The success of East-West joint ventures depends essentially on the qualification of the personnel, the work climate in a pleasant environment, and mutual understanding of the partners. These foundations cannot be generated “par ordre du mufti” [by the judge's order]—they are the product of a mutual, long-term learning process. If one accepts this thesis, it becomes clear why the interviewed enterprises of the People's Republic of Hungary admit to a more than 5-year lead in know-how in the implementation of joint ventures over other CEMA countries.

This may be one of the reasons why in recent years the number of cooperations founded by FRG enterprises with Hungarian enterprises have been growing.

Due to the cautious reforms of recent years, the foundations have been created in the People's Republic of Hungary for the successful establishment and management of joint ventures. Other CEMA countries still have to undergo this learning process.

CDU Proposals Call for Greater Flexibility in Wage Policy

36200092 Duesseldorf *HANDELSBLATT* in German
21 Apr 88 p 3

[Text] Bonn, 20 Apr—Both labor and management must play a central role in managing future economic and social problems. This was the position taken Wednesday by the chairman of the CDU, Chancellor Helmut Kohl, while discussing the pilot proposals adopted by the party's executive committee for the June party congress. Kohl appealed to both sides of industry to be aware of this responsibility.

Kohl took the view that labor and management could make an essential contribution to ensuring the attractiveness of the FRG as a site for industry. The pilot proposal emphasizes the responsibility of labor and management and calls on them to pursue flexible and diversified paths in their wage and salary policy, in the interest of the employed and the unemployed. At the same time, employers and the trade unions are asked to develop, together with the federal government, a common perspective on limiting the rise of added labor costs.

“Consolidate the Economic Foundation”

In this respect, it is stressed that a social policy with no regard for economic efficiency and economic growth deprives itself of its own source of income. In Kohl's words, the formulations of the pilot proposal combine both an eye for what is possible in terms of finance policy and the strength of the CDU in terms of political vision. With its plan for a pro-child society with the family as a focal point, and with the concept of humane care for the elderly, the CDU is tackling important socio-political duties for the future, he said. The CDU chairman mentioned political steps that should be implemented during the current legislative term and political objectives that extend beyond this term.

“Consolidating and expanding the newly-created economic foundation, further modernizing the national economy, releasing economic dynamism and gradually reducing unemployment all remain priority goals in the future as well,” the pilot proposal states. However, new jobs can be created only if the FRG economy remains internationally competitive, it goes on. Subject to competition are not only products and companies, but also locations. The proposal says that the entrepreneurs are responsible for the competitiveness of their companies and products, while labor and management together with the political sphere bear central responsibility for the competitiveness of the FRG as a site for industry. According to statements by CDU Chairman Kohl and General Secretary Geissler, however, the political sphere can only provide the framework for this.

In addition to ensuring a high degree of currency stability, lower interest on free movement of capital and an efficient infrastructure, other critical issues for the future

are reforms of the corporate tax structure, deregulation and debureaucratization. Reform of the corporate tax structure, an area about which Kohl had specifically mentioned the business tax the day before at the opening of the Hannover Fair, should take into account international realities and help eliminate distortions in competition. Finally, the pilot proposal announced for the CDU party congress a limitation on added labor costs and a loosening of the job-placement monopoly held by the Federal Institute for Labor. In particular, private, nonprofit initiatives for placing apprenticeships and jobs should be permitted.

In his comments on the executive committee resolutions, Kohl explicitly emphasized that the issue at the party congress in Wiesbaden was not deciding on a new, fundamental program, but rather providing answers to central questions of German domestic and foreign policy. Besides the domestic policy pilot proposal, the focal points of which were economic and social policy, protection of the unborn and a responsible approach to dealing with human genetic material, the party congress will be presented with a proposal on German-German, foreign, security, European and development policy.

Against Neutralist Approach to German-German Policy

Concerning the passages on German-German policy, which have become a matter of controversy in recent weeks, the CDU chairman attached great importance to the concept that the reunification of Germany under free conditions remains an indisputable duty of German policy. However, the only possible goal of a realistic German-German policy is to solve the German question within the framework of a regimen of peace in Europe. The CDU rejects neutralist separate courses. In order to realize the right to self-determination, the German nation needs the understanding and support of its neighbors. In the original draft presented for discussion, there was also talk of assent in this regard.

As far as foreign policy is concerned, four focal points are named in the proposal: ongoing broadening of economic cooperation as well as cooperation in foreign and security policy in the EC; the consolidation of NATO and the strengthening of the partnership between Europe and the United States; a deepening of cooperation on all levels with the USSR and other states of the Warsaw Pact; and the responsibility of the industrialized nations for economic development, social justice and human rights in the Third World.

Kohl, who expressed his regrets at the controversies and misunderstandings that had emerged concerning the CDU program, praised the present documents as evidence that the CDU is the popular party of the center and that it is overcoming the traditional 19th century "right-left pattern of thought."

12271

FINLAND

Central Bank Acts To Restrain Overheated Economy

Strong Growth, Western Exports

36170063 Helsinki *HELSINGIN SANOMAT* in Finnish
15 Apr 88 p 43

[Text] The economy, which has grown at the rate recorded at the end of last year and the beginning of this year, appears to be exceeding previous predictions. It is expected that the growth of total production will easily be 3 percent this year on the basis of the beginning of the year or nearly as much as it was last year when total production increased 3.2 percent.

The overall economic figures for last year were further reduced by the crop failure.

Production figures for the beginning of the year have indicated, among other things, that in January the metal industry grew 10 percent over the previous year and the forest industry grew nearly 7 percent. The growth of the national product has been 4 percent since January.

According to the economists, the situation is deceptive in that the forecasts for a deceleration of growth will not hit home at the crest of the market. Wage agreements have, for the most part, already turned out to be more expensive than forecast, approximately 4 percent.

According to the economists, it is now a question of how industry will be able to live with its high wage solutions. This presupposes that the growth of productivity will continue at least at the current level, which, for the time being, will succeed as long as the most important industrial areas operate at the upper limits of their capacity.

Dangers of overheating are a probability; businesses are consenting to higher wages since they are prepared to pay more for the labor force in order to bridge the production gap. An increase in wages, on the other hand, weakens competitiveness.

An increase in the sales tax, which has been alluded to as an additional means for restraining domestic consumption, is a two-sided measure in that it also increases inflationary pressures. Inflation should be kept in check in this situation so that next year it will be possible to negotiate wage increases that will be more moderate than this year's.

Wage increases are not just merely a hindrance: the economists point out that tax revenues also increase as an automatic reaction. Because of the progressivity involved, they will increase more rapidly than taxable incomes.

In addition, the state will collect its share of citizens' purchasing power through the sales tax. The austerity resulting from this finance policy may suffice for the present, according to experts in the economic department of the Finance Ministry and in the Bank of Finland, among other places.

Balance-of-Payments Trend Difficult To Change

The increase in the balance-of-payments deficit, which may also decline as one of the signs of overheating, continues to be a problem for Finland. It is predicted that the balance-of-payments deficit will be more than 10 billion markkas this year.

The amount of the balance of payments is not yet alarming in relationship to the gross national product: it is estimated that it will be approximately 2.5 percent of the GNP this year while the proportion was 8 percent at its worst in the 1970s.

What is alarming, in the opinion of the economists, is that it appears to be difficult to change the trend. Interest paid on foreign debts will increase and it cannot be expected that the level of service will improve.

Exports to West To Increase Vigorously

Exports to the West have continued to do well in the beginning of the year. Trade with the Soviet Union, on the other hand, has decreased—indeed as expected. According to the most recent foreign trade figures in February from the Customs Bureau, exports amounted to 6.8 billion markkas and imports were 6.1 billion markkas.

The reform of the Customs Bureau at year's end still has not dealt with the fact that 2 weeks of this year's foreign trade were somehow recorded in last year's statistics. If the error is roughly corrected, then exports as well as imports will show an approximately 5-percent increase in the beginning of the year. The adjusted figure for exports in January is 6.9 billion markkas and 7 billion for imports.

Trade figures reflect a good, nearly 10-percent increase in exports to Western markets. The sale of paper has continued to increase rapidly. Exports of the paper industry in February were one-tenth better than a year ago. Lumber exports increased at a slightly more moderate rate.

Metal industry exports, for their part, remained low in February, but this situation will improve in the next few months. The volume of orders on hand in the metal industry is good. In addition, such large items as ships and paper-making machines cause trade figures in the metal industry to fluctuate from month to month. The timing of even one such item in any one month is immediately reflected in the statistics.

Exports of metal products and machinery decreased by a full one-tenth in February. On the other hand, exports in the basic metal industry did well. The trade figures for the chemical industry likewise increased. Exports of petroleum products remained approximately the same.

Exports of textiles, clothing, and shoes continued to decline and were less than in the previous year. The future is not very promising for them either since problems in Soviet trade are the most noticeable in these very export areas.

Purchases of raw materials and production materials from abroad were the largest contributor to the increase in imports in February. Crude oil transactions increased by one-tenth from a year ago. Imports of consumer goods remained moderate and increased only 4 percent. Imports of investment products also grew at an even pace.

Consumer Buying Rate Worrisome

36170063 Helsinki *HELSINGIN SANOMAT* in Finnish
6 May 88 p 28

[Text] It is anticipated that prices in Finland will increase this year at a rate clearly greater than in the most important competitive countries. At the same time the competitive ability of industry will diminish even though the present intense rate of production will make the arrival of a recession later than previously estimated.

The economic department of the Finance Ministry predicts in its most recent market report that Finland's economic growth will continue this year, but imbalances in the economy will become aggravated. It was still being predicted in February that a change in the economy would occur by the end of this year already.

Consumer prices increased only slightly over the previous year in the first 3 months of the current year. The labor contracts signed this year, the increase in housing costs, and the increase in indirect taxes will clearly accelerate price increases, which are estimated to be an average of 5 percent this year.

In addition to the weakening of price competitiveness, the ministry is concerned about rapidly increasing imports from the West. This will make the balance-of-payments deficit even greater.

According to the economic department of the Finance Ministry, a loose income policy agreement will make it necessary for the state and the municipalities to continue a tight policy line even though a more stimulative economic policy would be justified in light of the economic situation.

Growth in the West Slowing Down, Finland's Exports Doing Well

According to the report, the effects of the dip in the stock market last fall have remained little. Economic growth in Western countries is, however, slowing down. It is estimated that overall production in the OECD-countries will increase by only 2.5 percent.

Inflation has accelerated slightly abroad. The forecast is that consumer prices will increase an average of 3.5 percent. Unemployment will increase slightly in Europe.

In Western industrialized countries measures have been taken to support growth with money policies.

Finland's industrial exports to the West will reach unprecedented volumes this year. It is estimated that growth will be 5 percent. Export prices will increase 2.5 percent.

The 7-percent reduction in exports to the East will bring down the growth of total exports to 3 percent.

Imports have increased rapidly in recent years and there are no visible signs of abatement according to the ministry. The forecast is that imports will increase 5 percent. Import prices will remain in check during the current year.

Balance-of-Payments Deficit Will Continue To Grow

It is predicted that the balance of trade will show a 2.5-billion markka surplus this year, but the purchase of services and the payment of interest on a large debt to foreign countries will produce a 10-billion markka deficit. This is 2.4 percent of the gross national product.

The deficit is not yet alarmingly large proportionally speaking, but the continuing growing trend is of concern to the ministry.

Machinery and equipment are being imported to Finland at a fast pace for permanent industrial investments, which continue to be large. These primarily concern private industrial enterprises since the investment programs of state-owned enterprises are beginning to wind down.

Industry's volume of orders on hand is on the whole strong, and it is anticipated that production will increase 3 percent. The sellers of paper and cellulose are doing exceptionally well. Production will increase 4.5 percent.

It is believed that this year will be the best in this decade for the forest industry from the point of view of profitability.

The prospects of the metal industry for the near future are also good. Production will increase 4 percent. On the other hand, areas dependent on exports to the East will remain at a standstill or recede.

Savings and Debt Go to Consumption

The number of real markkas at the disposal of the average person will no longer increase this year at last year's rate. The Finance Ministry predicts that the real income of households will increase only 2 percent. Consumption, however, will remain high since people will increase their indebtedness and turn savings into goods. The 3-percent growth of consumption will continue to be directed at services and leisure-time goods.

Public consumption will also increase at a rate of 3 percent. This will raise the growth of total domestic demand to even 4 percent.

The Finance Ministry has calculated that the income level of wage earners this year will increase on the average at a nominal rate of 8 percent and a realistic rate of 3 percent. Industry's competitive ability will thus clearly become weaker.

The demand for labor will be slightly greater than last year. The supply will decrease because of people taking early retirement. Together they will reduce unemployment to 4.8 percent of the work force.

The public sector will prosper this year since the tax bases have been adjusted and nominal incomes, from which taxes are paid, will increase. The gross tax rate will increase to nearly 38 percent.

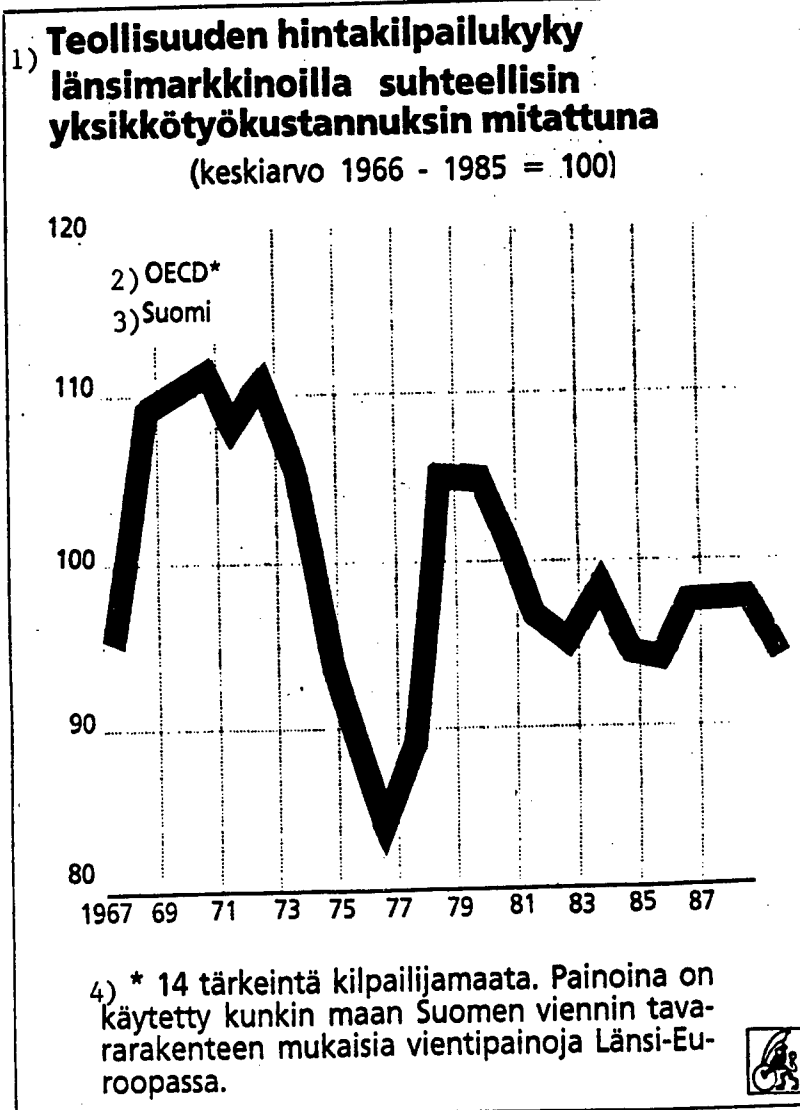
Paper Criticizes Government Inaction

36170063 Helsinki *HELSINGIN SANOMAT* in Finnish
7 May 88 p 2

[Text] Finland has indeed done well recently in light of the economic figures. Predictions of the commencement of a recession have time and again turned out to be premature. As nearly always happens in such situations, the high rate of the economy has gradually lifted one's feet off the ground.

A consumer celebration followed—although, of course, not for everyone. Then came the excessively large wage contracts. Now it is being observed that inflation is accelerating as a result of all this. The government and the Bank of Finland have been compelled to adopt countermeasures. We are now faced with public disappointment and a search for the guilty.

The tax reform and reduction of income taxes promised by the blue-red government have been postponed. To the contrary, taxation has become tighter. Disappointment among Social Democratic and Conservative MP's is



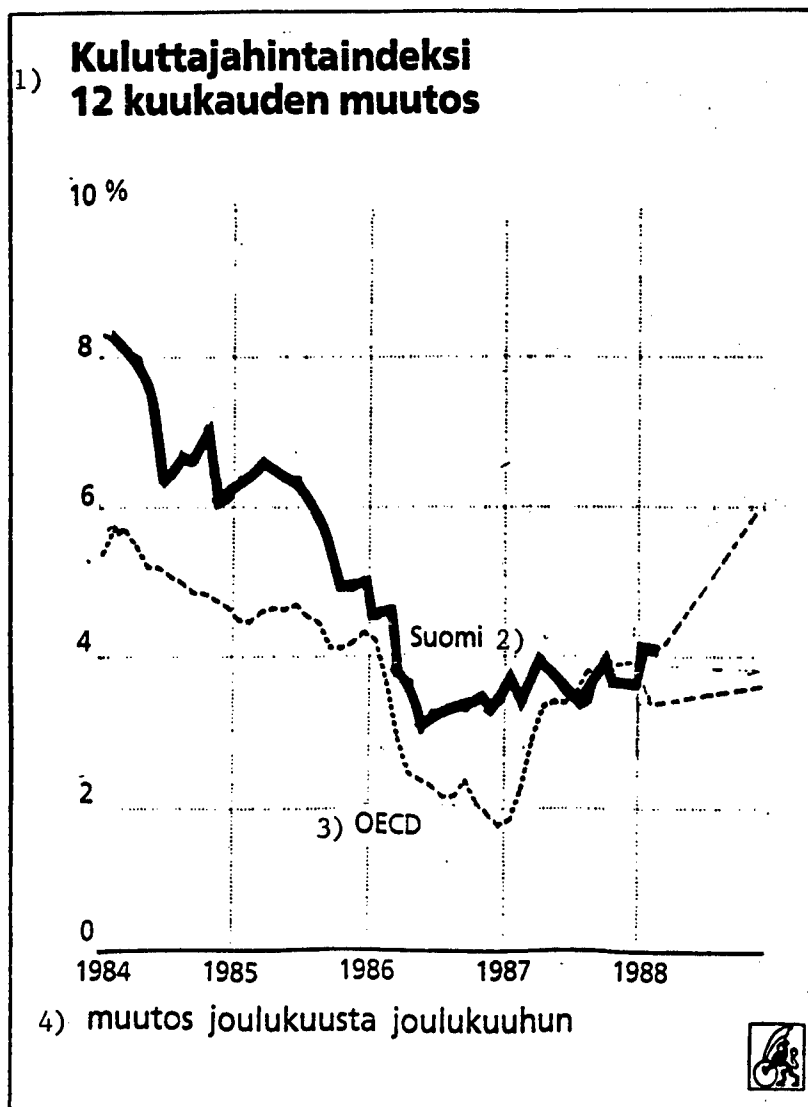
beginning to turn into ever more open grumbling. The ability of both parties to tolerate criticism is intolerably weak. Grumblers are being treated in a manner which hurts the position of MP's.

The government and employers are accusing each other of accelerating inflation. The employer side refused to negotiate a centralized labor contract. In union-dominated negotiations it then consented to pay almost anything so that the wheels of industry would not come to a halt during a good market. All quarters are of the same opinion that wage solutions were accomplished at an excessively high level.

No answer, however, can be obtained to the question as to whether a different method would have been possible and whether a better outcome would have been obtained with it. The seesaw model proposed by Finance Minister

Erkki Liikanen or tying 2-year wage contracts to tax reform was premature this time. Indeed the government has not yet been able to agree on the tax tables. In spite of the high level of wages incorporated into labor contracts, many union negotiators had great difficulties in persuading the rank and file to approve the negotiated contracts.

The government, on the other hand, has influenced the acceleration of inflation with its own measures. It has raised the tax on fuel and the price of alcohol, tobacco, and finally milk. The continuation of a good market has forced the government to restrain overheating and draw away too much money from consumption. The tightening of taxation has been justified from the point of view of economic policy. It is doubtful that anyone has the nerve any longer to criticize the government for the fact that it insisted on complete adjustments for inflation in



the tax tables in last fall's budget in the name of economic policy. With hindsight it is now known that tighter measures should have been adopted earlier already.

Even last fall the goal was to reduce interest, but now it has become necessary to raise interest rates. The issue has been excessively dramatized and politicized. Even the Bank of Finland is in part barking up the wrong tree when it blames the banks for irresponsible marketing of loans. The Bank of Finland itself has freed up money markets and has encouraged the banks to compete.

The Finance Ministry says that the struggle against inflation has been lost as far as this year is concerned. It will increase to at least 5 percent from the 2-percent outlined by the government. There is no reason, however, to sink into pessimism. Our economic prospects are not yet bad as long as we can keep a cool head.

The government should now find a solution to tax reform. A connection between a reduction of the tax tables and future wage increases should be accomplished at the same time. This would presuppose the commencement of discussions between the government and the labor market organizations now and not until after the summer. It may already be too late then.

10576

NORWAY

Conservative Newspaper: Reduce Government Role in Gas Policy

36390065 Oslo AFTENPOSTEN in Norwegian
27 Apr 88 p 2

[Editorial: "Source of Renewal"]

[Text] More power to the market, less to government. Something good at any rate has come out of Mongstad:

The lost billions have weakened the belief that the state should get mixed up in everything. Particularly in running businesses. The change in climate is becoming clear as the Storting deals with the report on "Gas Strategy in the Future as a Part of Norwegian Energy Policy."

Here the middle parties have come strongly together with the Conservative Party in the opinion on how we shall use gas. Perhaps it has been easier to get together on the principles because this time one has gone around the difficult local elections. (The question of where the first Norwegian gas plant will be built has been postponed until next year.) But there is a lot of political substance in the statement.

Used correctly, the gas reserves can quite clearly become a powerful source of renewal for Norwegian industry, perhaps just as important as waterpower was at the turn of the last century. Recovery of gas gives us an industrial ability that we can transfer to other areas. And the exploitation of it should give us a competitive advantage. It is costly to transport gas. Therefore, gas can logically be sold cheaper near the place it is found than far away and still provide greater profits for the seller.

This—a freer gas market—is one of the principles that is specified in the common nonsocialist statement. One says no to state price setting and wishes instead for different prices to develop in different markets—that is, that market forces be allowed to rule.

From this follow other market economy considerations. The Conservative and middle parties reject the formation of a state company as an intermediary between the buyers and sellers of gas. This is superfluous. Nor are the nonsocialists willing to give Statkraft a solo role as the deliverer of gas power to the Norwegian market. Here, too, one favors a varied market with its different solutions. Industry itself must be allowed to own and run gas power plants.

These views will obtain a majority in the Storting, and this is a factor that presumably will also affect the Labor Party's wing. In spite of everything there are limits to how far a Storting group will defend its own government when the matter is doubtful and lost from the beginning, besides.

Treatment of the gas project at Karsto was also postponed. But Mongstad shows that insight produces better results than hurried work. The reason that Karsto (Statoil/Statkraft) must wait is that the government failed to negotiate the rights to the neighboring project, a gas power plant under Hydro's direction at Karmoy. Now it is not only possible to compare the two projects, but also to evaluate the most important question: the creation of a gas pipeline to the eastern part of the country. The largest market is there, not just for gas as a source of electric power, but also as an industrial raw material.

09124

SWEDEN

Paper Supports Feldt's Warning on Wage Costs, Competitiveness

36500111 Stockholm DAGENS NYHETER in Swedish
28 Apr 88 p 2

[Editorial: "If Feldt Is Not Believed"]

[Text] Time after time the finance minister has warned of the misfortune that would befall this country if wage costs continue to rise faster than those in the outside world. But he has not been proved a true prophet, despite the parties in the labor market each year driving each other on to excessively high agreements. The increased costs for 1988, as estimated from the existing agreement and forthcoming settlements together with the wage glide, is in the neighborhood of the 7 percent which was the "catastrophic alternative" in the financial plan of last winter. There is still no catastrophe standing at the door; on the contrary, the Swedish economy is dominated by overheating and excessive consumption.

That does not mean that Kjell-Olof Feldt has been wrong, at least not in his reasoning. But on every occasion in recent years when Sweden has sinned in relation to developments in the outside world, other developments have gone our way.

Falling oil prices, falling dollar exchange rates, and now greatly improved prices for forest products on the world market have alleviated a good many of the cost increases; the krona has fallen in value against other currencies than the dollar, at the same time as price changes have brought an improvement in the balance of trade with other countries. In addition the outlook for the world economy is significantly more favorable than what it still was several months after the stock market crash of last fall. The imbalances between the United States and the rest of the world certainly remain, and a recession could suddenly appear during 1988.

It is obviously a danger that Kjell-Olof Feldt will not be believed when he now in the supplementary Government bill warns of the consequences of too rapid increases in wage costs. Among the calculations which have been made in the Ministry of Finance on developments in the coming years it certainly appears that worsened competitiveness would bring a stop to economic growth and certain unemployment. But if the threat of unemployment had any warning effect, it was obscured by Feldt, who explained that the Social Democrats cannot accept an increase in unemployment.

On Sunday, 1 May, Feldt and his party colleagues smote themselves on the breast and said that they will in the immediate future fulfill the goal of jobs for all. But in the supplementary Government bill there is instead a question of an overheating of the labor market, the inflation-causing effects of which will be difficult for the finance minister to control. It is a step in the right direction that

the marginal taxes for 1989 will be reduced by 3 or 4 percent over the entire tax scale. But Feldt's motivation is fixed on next year's wage agreement, and he hopes that the reduction in marginal taxes will have a dampening effect on wage demands. It sounds too ingenuous for a finance minister who should have been educated by previous acquaintance with the parties of the labor market.

A tighter economic policy is probably the only way to put the brakes on the market forces which are pressing costs upward. Since the monetary policy is already heavily burdened, the tightening should first apply to finance policy. During the spring, however, Feldt put through unfinanced reforms of the partial pension and health insurance, even though he now wants to raise tobacco and oil taxes in order to finance increased expenditures for support of studies and submarine defense.

The high interest situation can be an obstacle to business investment. Now that Feldt wants to pull in liquidity from the funds of big business, the argument is not so much about business mergers as about a statement that firms are competing with the banks—and that these in their turn are being pressed to market their services more aggressively toward families. The connection is, however, as far-fetched as it is unproved.

It is of greater importance that the Government is announcing a further limit on deductions, with the intention of making families more sensitive to interest rates. So one can manage the partially tax-free consumption, primarily of capital goods, which have come to make up an even greater burden on our balance of trade. It should, however, be possible to differentiate between the interest which relates to a home loan and interest relating to consumer credit; this has been done, for example, in the United States.

If not now, when should Sweden really be able to have a surplus in the balance of trade? But in many areas production has already reached its capacity, and the finance minister instead expects a deficit of as much as 11 billion kronor. If the international economic situation deteriorates, that deficit can grow considerably.

The imbalance remains, even in good times. A respite will come only when good luck is replaced by bad.

9287

Government Policies Seen Inhibiting Foreign Investment

36500109b Stockholm DAGENS NYHETER in Swedish 7 May 88 p 5

[Guest Commentary by Sten Westerberg, chief economist of the Enskilda Fund Commission, Scandinavian Enskilda Bank: "'Swedish Factor' Is a New Risk Premium"; first two paragraphs are DAGENS NYHETER introduction]

[Text] Foreign businessmen can only imagine investing in Sweden if the key figure for profit is 25 percent better than in the outside world. This "Swedish factor" is the

insurance premium demanded to counteract the risks for all sorts of market-hostile ideas such as turnover taxes, one-time taxes, etc. These words are written by Sten Westerberg, chief economist of the Enskilda Fund Commission at Scandinavian Enskilda Bank, as he continues DAGENS NYHETER's debate about the so-called puppy tax.

Market-hostile politicians have created an extra risk premium for foreign investment in Sweden. Recently I met a group of foreign businessmen who were visiting in Sweden. They were impressed by many of the Swedish companies. But they could only imagine investing here if the key figure for profit, etc., were 25 percent better than in the outside world. This so-called Swedish factor is the insurance premium demanded to counteract the risks for all sorts of market-hostile ideas such as turnover taxes, one-time taxes, etc.

The statement is typical of many managers'—Swedish as well as foreign—views of Sweden. Managers who are responsible for many people's savings—in practice often pensioners—are naturally obliged to look soberly at the environment. The reduced interest on the part of foreigners to deal in Swedish stocks appears clear in the statistics (see Diagram 1).

In this situation the Government puts forth a proposition of a new turnover tax on the money market and higher taxes on stock and options trade, etc. The proposition is intended to appease the leadership of LO [Swedish Trade Union Confederation] and others who get irritated because (young) stockbrokers sometimes get high salaries. The Ministry of Finance tried to give the market a blow below the belt without seriously damaging it.

The proposition is a miscalculation. In the first place it does not take into consideration that Sweden is a little country on the outskirts of Europe, crossed by the Arctic Circle. On the continent, something resembling the United States of Europe is growing.

The new market exerts enormous appeal for entrepreneurs, leaders of companies and capital managers. Internationalization of Swedish companies is taking place at an accelerating pace. This is necessary in the consideration of our peripheral situation and our insignificant domestic market.

Naturally, we can do nothing about our size, but it is important that we counteract our natural handicaps with positive measures. Instead of reinforcing our disadvantages through repeated blows against the markets.

In the second place, the damages are maximized from the standpoint of confidence by the way the proposition was presented. Against the wishes of practically all the bodies to which it was submitted for referral and against many arguments—the latter for safety's sake moreover attested to by the undersecretary of the department in his

capacity as chairman of the Board of Governors of the Bank of Sweden—they merely charged ahead. And that was not enough. They added entirely new proposals which were not in the original memorandum. This had a greater negative effect in that they were able to introduce measures without even any "political pressure."

In the third place they are disregarding the fact that it is not only representatives of industry and the capital markets who are reacting. Foreign governments and central banks are also raising their eyebrows. "The Swedish measures appear to be a bit surprising," said one EC representative. The EC Commission recently proposed that all transaction taxes should be abolished by 1990. In Finland they have recently decreased. In Switzerland they are being abolished.

In Sweden we are going the other way—we are not serious. Furthermore, it is in strange contrast to the Government's stated ambition to be prepared to negotiate with EC on anything (except neutrality).

In the fourth place they are disregarding the possibility for the Swedish stock market to claim that it is already damaged internationally by the existing turnover tax. Last summer figures were published in London concerning trade in Swedish shares. The results are summarized in Diagram 2. Therein it can be seen that for a representative choice of firms (ASEA, Ericsson, Electrolux, Pharmacia, Volvo, SKF) there are more of their shares traded in London than in Stockholm.

This is naturally due to its being three times as expensive to do business in Sweden. If the proposition before the Storting is voted through, the difference will rise to four or five times. The role of the Stockholm Stock Exchange as a marketplace is being undermined. That hits mostly the small and medium companies which cannot finance themselves abroad and are entirely dependant on the Stockholm Stock Exchange. In addition, the result will be that broker's commissions will remain abroad, meaning that Swedish currency reserves will be drawn down and Mrs. Thatcher's will correspondingly increase. What use is that?

In the fifth place the proposition goes against measures which the Government has previously undertaken. Previously they encouraged brokers to be so-called market makers. This was to advance the capital support for small business (OTC proposition) and to advance the trade of Nordic shares. Without advance warning and even less investigation, the new tax is aimed at movements in the brokers' stock and is a blow against this trade.

These measures are also in notable contrast to previous statements from the head of the Central Bank and the head of bank inspection, who in a different context complained that the market makers were doing too little business.

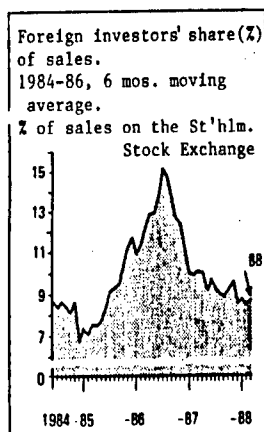


Diagram 1

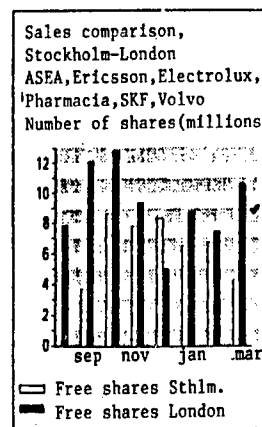


Diagram 2

But it is not enough that the proposition goes against previous measures and statements. The proposition is in itself contradictory. On the one hand it says that it is desirable that market swings be reduced. At the same time they put forth a proposition that makes it more difficult for options and futures trading to play the leveling role which they should play according to modern research and according to the recently released options report.

In the sixth place they are getting ready to throw out the baby with the bath water when they make it more difficult for investors to reduce their risks through the options market. One is reminded of the decision recently made by the Gronkoping municipal council. There it was decided to discontinue all insurance since the insurance company simply wanted to gamble with the municipality. Thus the company offered in case of gain (fire) to pay a substantial amount, but otherwise the company presumptuously expected to confiscate the entire investment, which it called the premiums!

These are not questions which only concern economic and political epicures. Since liquidity in the market is declining—that is a stated aim of the proposition!—investors require a higher risk premium (the Swedish factor), meaning that the demand for profit increases. Higher capital costs hit investments, employment and balance of trade. The space for real wage increases grows less, and wage negotiations are complicated.

In the proposition the different proposals are motivated by redistribution policies. It is ironic to confirm that calculations to support this position are totally lacking. The finance minister has repeatedly stated that in order to bring about more even distribution of income, low inflation and high rate of employment are the deciding factors. There is nothing in the proposition which says, or even makes probable, that the leveling effect of the tax would be greater than the negative effects of lower employment, higher inflation and lower investment.

The final mistake is that the department is throwing practical reason overboard and investing its own prestige—abroad as well as domestically, politically as well as

toward companies and capital markets—to attain an effect which one cannot believe is in tune with social democratic values. It is definitely no coincidence that the proposition is so poorly defended at the cabinet level, and that the undersecretary has publicly distanced himself from it.

9287

Columnist Sees Little Threat in Wave of Mergers, Takeovers

36500109a Stockholm DAGENS NYHETER in Swedish
24 Apr 88 p 14

[Commentary by Per Afrell: "Big Transactions Creating Unexplainable Concern—Buyouts Are No Threat"; first paragraph is DAGENS NYHETER introduction]

[Text] A wave of buyouts is washing over the Swedish stock market. It worries LO [Swedish Trade Union Confederation]. It worries the government. It worries certain business leaders. Purchases of businesses, however, do not seem to be any threat to the Swedish economy. The similarities to what has happened in the United States and Britain are few. The Swedish scene does not contain the most dangerous signs of Wall Street or London's City.

A wave of buyouts and big deals is washing through the Swedish economy. Big deals take place every week. Businesses regroup, they swallow up and sell each other at a rapid tempo.

Now voices are being raised against many of the transactions. The government will pull in money from businesses to cool down the buyout fever, and the obligatory committee is already appointed.

LO, in a recently published white paper, believes that buyouts of businesses are often unsound, and that businesses should devote themselves to proper investment instead. The white paper also says that the MBL [The Codetermination Act] was established through agreement by all businesses.

Business newspapers are also expressing their concern—they are saying that buyouts and mergers are difficult issues which often go awry. It is easy to believe that it is dangerous to meddle with the foundation of the economy—big business.

Difficult To Explain

Against the background of what has happened during recent years, parts of the worry are difficult to explain. Directors of Swedish businesses have for many years purchased foreign firms at a rapid rate. The list of major firms that have been very active abroad is long. Asea, Volvo, Electrolux and others have been on veritable Viking raids to the west and south.

This has not led to any great uproar here at home. It has often been described as remarkable that Swedish firms grow so strong by buying up their competitors and expanding abroad. Everybody knows that type of investment creates jobs in Sweden.

What is new is that now the firms and their owners have begun largely to buy Swedish businesses.

According to DAGENS NYHETER's listing of the 29 largest firms, they have made purchases amounting to 42 billion kronor. Of these, purchases abroad amounted to 20 percent.

Inflated Treasuries

Why has this activity stepped up just now? There are several good, relatively undisputed reasons:

—After a long period of good economic activity and business-friendly economic policies, for example in the form of devaluation and political pressure on wage development, business profits have been good for a long time. Treasuries are inflated, and there is plenty of money.

—The state, which previously had to borrow large sums of money, now has a better economy. It no longer has to push its way to the head of the borrowing line. It is, therefore, easier now than before to borrow money to buy businesses.

—The economic situation is brighter than what most people believed both before and immediately after the stock market crash in October. Confidence in the future leads to investments. A form of investment is buying businesses.

—Stock prices became somewhat popularized, and suddenly appeared to optimists not to be shamelessly high.

—Big deals lead to other big deals. Money is liberated in buyouts, especially if the deals are concluded in cash. Share owners suddenly get their hands on some money, and can think about buying something else. And the buyers often sell parts of what they have bought.

—In a situation where most people expect that the economy will turn in the fairly near future, it is more inviting to buy something already in existence than to start a whole new project.

Investing Also

All these facts are causing businesses to become more active. A wave of buyouts is taking place. In more developed capital markets with better statistics it would be possible to identify waves of buyouts coming at 10-15 year intervals when hectic buying and selling takes place. Sweden is obviously now in such a period. The peaks are often followed by periods of calm.

A very large and important difference between the Swedish buying craze and that which is called "merger mania" in the United States and Britain is that the Swedish buyouts are taking place at the same time as investment activity is very high.

Buying companies has not replaced other types of investment. More is being invested in machinery and product development than at any time since the 1960's.

In both the United States and Britain the merger debate has been about so-called shortsightedness. Many maintain that the stock market as currently developed could lead to disastrous consequences for the economy.

Businesses are ceasing to invest. The business leader is still concerned that his company will be bought out. Therefore, he does not dare act for the long term. When the annual closing of the accounts grows near—and if it is worse than expected—costs will be cut. The easiest costs to cut are those dealing with research, development and investment.

This is not the case in Sweden, however. Nobody is complaining about the willingness of business to invest. Instead the problem is that business did not invest early enough. Business is now at its capacity.

Three Motives

From the standpoint of the business leaders and the controlling stockholders their behavior today is rather logical. Businesses are investing heavily. They believe in the future. They have money to spend. What should they do? Their job is to earn as much money as possible.

Nobody quarrels about why businesses can do as they do. Much more interesting are the motives behind buyouts and deals. They are more disputed. In principle there are three motives to choose from: power, financial and industrial.

If one goes through businesses it is in most cases simple to classify each individual business. The simplest are those which purchase abroad, which amount to fully 20 percent—in monetary value—of recent months' transactions. Foreign purchases have almost without exception encouraged industrial motives.

Swedish bus companies buy British bus companies, Swedish insurance companies buy Norwegian Insurance companies, Swedish engineering companies buy American engineering companies, Swedish cement companies buy British cement companies, etc.

Nor are these buyouts subject to discussion. It is not the job of the National Merger Committee to devote itself to these buyouts. LO's white paper does not concern them.

Nearby

Of the remaining entirely Swedish businesses, the dominant share of deals have taken place between businesses in the same or related branches of industry. A data firm buys another data firm, or a competing construction firm.

Of all the recent deals there are two which should be especially mentioned. They are MoDo's purchase of Holmen and Iggesund, and Stora's purchase of Match. Those are the largest domestic deals, totaling 12 billion kronor, and they are the most discussed.

MoDo executes transactions with the help of a financial instrument called convertible proof of profit-sharing, which has certain tax advantages. Furthermore, MoDo paid a great deal of cash to buy the business. That causes the new business to have a weak financial situation.

That is an example of a buyout with unusually large risks. It is, however, obvious that the motive for purchase is of industrial nature.

It is an attempt to create a third forestry block beside Stora and SCA.

Not Convinced

Stora's purchase of Match has also been criticized for having only vague industrial motives. The criticism delivered has not been convincing. The problem for those who will condemn the deal as unsound is that Stora is demonstrably a company which can manage the buyout. The company's purchase of Billerud and Papyrus, for example, have been very profitable.

Financial motives are also present. They are often seen as dubious. ASEA, a manufacturing company, purchased Brostrom, a shipping company, because the ships from time immemorial have been operating at a loss, and Brostroms, therefore, has a large business loss deduction which gives ASEA lower taxes. This deal was considered questionable from a socioeconomic standpoint—it would have been better if ASEA had invested the money.

But even that type of financial motive can be defended. In ASEA's case the purchase of Brostrom led to higher profits after taxes, which could make the company willing to invest more in some other area.

Few Power Deals

Power deals, however, please almost nobody. When Volvo buys a few more shares in the investment company Opus, it means in principle that Volvo is buying Volvo stock. Except that they are doing it in an unusually complicated way.

The danger with that type of deal, it is said, is that the concentration of power grows. The deals which have taken place recently do not, however, especially redistribute the power. Of all the big deals recently I would classify only a few as pure "power deals."

Volvo's purchase of Protorp and Opus, Volvo's sale of Gambro stock to Cardo, Skanska's purchase of Opus stock. The total involved comprises barely 10 percent of all buyout money.

Avoid Having Consideration

I believe it is incorrect to assume that the concentration of power has grown in some obvious way because of the wave of buyouts. In several cases it is a matter of the owner buying up a company which he already controls, for example ABB's purchase of Flakt, Bahco's purchase of Besam, Hexagon's purchase of Hemglass, Catena's purchase of Bohus, and Becker's purchase of Kanthal-Hoganas. Those deals are mostly internal affairs. The owners paid a grand total of three billion on these deals.

In none of these deals did anyone need to ask who has the power. Instead the reason for buying was to avoid having consideration for other owners so as to be able to control the treasury of the company, and in order to do that one must own at least 90 percent. It has nothing to do with the stock exchange.

Foolish

To begin to worry about concentrations of power in this country because of the ongoing wave of buyouts seems unusually foolish. Volvo's advance on the stock market during the first part of the 80's, when the company seriously became a power player, alone represents a significantly greater concentration of power than the sum of all the deals made since the stock market crash last October.

It is sound to worry about concentration of power. On the other hand, to allege that the situation has changed during the past 6 months, other than marginally, is ridiculous.

The subject of buyouts is unusually difficult to penetrate. There are seldom any simple, direct answers to the questions which arise. It is possible, however, to draw a few conclusions from the events of the past months:

—That companies are investing their money in buying other companies, in most cases with an industrial motive, is better than the situation of a few years ago. Then a conspicuous number of companies concentrated on financial investment. That cannot be said to be the case now.

—Shortsightedness. The great risk with high liquidity and continuous buyouts appears not to have come to Sweden. In comparison with, for example, the United States or Britain, the effects of "merger mania"—so far—appear rather harmless.

Law Excluded

There are, however, some important aspect which have not been touched upon here, but which have strongly influenced both the debate and what actually happened:

—The wave of buyouts is a hot potato with regard to the politics of distribution. Containment of wages and high profits are good grounds for questioning the type of money exchange which takes place between owner groups and companies.

—LO is naturally correct when it claims that the wave of buyouts has partly excluded the MBL. The owners have no obligation to negotiate with the unions. MBL regulates the relations between employer and employee, not employee and owner.

—The tax system has a very great effect on the way deals are made and how companies choose to act. In certain respects it leaves a lot to be desired. From the viewpoints of all the participants.

GREECE

Omissions, Errors in National Health Plan Pointed Out

35210102 Athens I VRADYNI in Greek 18 May 88 p 4

[Article by Loukia Petritsi]

[Excerpts] During a discussion on health in the Chamber of Deputies, the deplorable failure of the National Health System (ESY) was commented on by ND President K. Mitsotakis and indirectly acknowledged by Prime Minister A. Papandreou, while the government was called on to move as quickly as possible to re-evaluate the ESY entirely.

Despite the fact that, in his speech, Mr Papandreou insisted on presenting indicators that allegedly showed a big rise in health standards, he said that the government is now scheduled to move forward "in the direction of modernizing and humanizing the ESY." In other words, he admitted that the health system, with which PASOK misled the Greek people for so many years, is "inhuman" and "out-of-date."

He said, "We are at a new period of development and planning" and referring to this planning he let it be understood that institutional changes will be made and new endeavors and new incentives undertaken.

The above facts show that the government has begun to admit the failure of the ESY that the Greek people have for some time now condemned in their own minds. These facts also show that the government is today seeking a way out, attempting at the same time to gain the "acquiescence" of the entire political world.

The government made a beginning in this direction with Law 1579/85, trying to correct the basic deficiencies of Law 1397/83, that is the basic ESY law.

That law simply regulated the working relations of physicians. It did not have a word to say about primary health care that constitutes in our time the first concern of health planners and the basic element for the success of a system. As we all know, Law 1397 succeeded in creating chaos in hospitals from which physicians who had recognized credentials had been removed and replaced mainly by physicians who had "party" qualifications. However, the latter also condemn the ESY and take part in strikes. As for the physician "with full and exclusive employment" that was established by Law 1397, everybody knows how much the regulation is violated with full knowledge of the ministry and even more than that the ministry itself violates it through the newer Law 1579/85. The latter law does have quite a few good points that have not, however, been exploited as yet.

What really happened to the KY [Health Centers] for which so much money had been spent?

These too came about under party pressures and not on the basis of real Greek needs. For example, two health centers were built at the two extremities of Salonica, located some 20 kilometers from the center of the city. Health centers were built in Spata and Markopoulo, while agricultural areas, in fact, remain without the services of a physician.

The original makeup of the health centers has not been maintained in any of the approximately 150 that have supposedly been built. It was originally intended that the centers be staffed by physicians with at least four essential specialties, but instead they were staffed by agricultural doctors of the IKA [Social Insurance Foundation]. The decrease in required qualifications and the promise that after 3 years service with the health centers physicians would be transferred to Athens did not have good results. From February, when the law was passed, until now not one request by a physician for assignment has been submitted.

Thus, most health centers continue to remain without physicians and to offer substandard health care. Moreover, staffing of provincial hospitals comes to 50-60 percent, a fact that has consequences on the quality of services offered.

As for the alleged increase of state hospital beds that the prime minister referred to in his speech, the picture comes from—and as Mr Mitsotakis pointed out—the nationalization of big hospitals (such as the Evangelismos, the EES [Greek Red Cross], THE M. Iliadis, etc.).

In reality, hospital beds decreased by 6,000 with the shutdown of certain private clinics and with the purchase by the state of others. We must emphasize at this point that the purchase of private clinics was made by the state starting in 1983 for the purpose of converting them into satellites of existing hospitals in Athens and in the provinces. While vast sums were appropriated for these purchases and huge sums were spent for the repair of buildings, they have not been utilized until now but they remain nothing but empty shells or remain closed (for example, the Agios Nikolaos clinic on Makedonias Street). While private clinics had been proclaimed "under persecution" and the erection of new ones or the repair and expansion of existing ones was not permitted, according to positive information, the government is now retreating and is recognizing the need for the existence of private initiatives in this sector. Thus, through changes that it has introduced it is taking the first steps in permitting the expansion of private clinics.

At any rate, it is a fact that existing private clinics, except for the three big ones (the Ygeia, the Medical Center and the Apolloneia), are vegetating.

Just think that IKA pays 1,850 drachmas a day for hospital treatment at the latter establishments, while for treatment in public hospitals it pays out 20,000

drachmas a day. The cost of treatment in public hospitals has greatly increased. In fact, daily hospital costs in the Preveza hospital come to 95,420 drachmas because it is burdened with the assignment of 300 persons in auxiliary positions.

Mr N. Kaklamanis, secretary general of the Panhellenic Physicians Association, told us, "Yes, we have a quantitative increase in expenditures and services for health. The issue, however, is that we have a qualitative downgrading.

"The first reason for this downgrading is the lack of post-graduate continuing retraining of physicians. The five-member committee of the Union of European Physicians that visited hospitals in our country, on instructions from its central council, mentions shocking things in the report it submitted to the permanent committee. The lack of retraining of physicians is considered a decrease in the offering of services and for that reason they will request that Greek physicians not be able to practice in Europe."

Mr Kakalamanis also considers as indicators of a decrease in the level of hospital care the insufficient staffing of provincial hospitals and health centers and the fact that treatment is being rendered in conditions that prevailed in the previous decade.

This whole situation that is known to Minister S. Floros and Deputy Minister Solomos, and as it appears even to the prime minister himself, must shortly lead the government to overhaul the complete health system. Otherwise, the collapse of health care will continue and there is danger that the 20 percent increase in deaths reported in 1987 compared to 1981 (13,297 deaths in 1981 and 15,948 in 1987) will increase even more.

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SPAIN

Half of Public Favors Ecclesiastical Tax 35480083 Madrid YA in Spanish 21 Apr 88 p 16

[Article by Javier Fernandez]

[Excerpts] A half of the taxpayers believe that the new system of economic aid to the church, the "tax allocation," is good, and only 17 percent think it is bad. Currently 40 percent are willing to allocate 0.5 percent of the IRPF to the church, while 20 percent do not know what they will do. This was revealed by a sociological study carried out by the OYCOS enterprise among Spanish taxpayers on behalf of the Episcopal Conference. An appeal for support of the "tax allocation" will be made public tomorrow.

The individual in charge of the study, Prof Lopez Pintor of the Autonomous University, says that the prediction is that 56 percent of the taxpayers will support the

church when the time comes to declare their preference, which would mean an allocation of a little more than a billion pesetas. The deputy secretary of the Episcopal Conference for economic affairs, Bernardo Herraiz, has termed this "quite satisfactory."

The image of the church in the minds of taxpayers is more positive than negative, and is a rather faithful reflection of the way Spanish society as a whole sees it. The church has a medium high status. In terms of public confidence, it ranks after the king or private social aid organizations such as Caritas (a church organization) or the Red Cross, but well above such institutions as the cabinet and the courts of justice. There is confidence in the police at this same level, while trust in the attorney general, the legislative assembly and the municipal councils is somewhat farther off.

To this indicator of confidence must be added the fact that the majority of opinions expressed concerning the functions and actions of the church, both social and religious, are positive. It is believed that these functions are important and that the church carries them out efficiently. In this connection, as before, between 15 and 20 percent of the opinions expressed are openly critical, while the opinions of between 20 and 35 percent of the population lie somewhere in the middle.

As might be expected, the more involved in religious practice the individual is, the more positive his opinion of the church is and the less he is inclined to vote for the left (positive opinions are expressed by 80 percent of the practicing Catholics, only about 30 percent of the non-practicing Catholics, and 15 percent of the nonbelievers). In terms of political sympathies, the most positive views were expressed by about 80 percent of those voting for the AP, 70 percent of the supporters of the CDS, 60 percent of the supporters of the CiU, 50 percent of the voters favoring the PSOE, and 30 percent of the PCE supporters.

Attitude Toward Tax Allocation

In general, opinions on the new system for aiding the church are positive.

—Fifty percent of the people believe it is good, and only 17 percent believe it is bad.

—The same proportion prevails concerning whether the new system is better than allocating a fixed sum out of the general state budget.

—Three out of every four taxpayers (75 percent) believe that they should be free to allocate a small portion of what they pay to the church or for other social purposes.

—Forty-five percent of the people believe that the church will obtain the same or greater resources with the new system (24 percent believe it will obtain less, and 31 percent gave no answer).

A Definite Forty Percent

Apparently only 40 percent of the taxpayers have decided they are willing to allocate 0.52 percent of their own tax, while 30 percent say that they will allocate it for

other purposes, 10 percent say that they will not choose either of the two options offered, and 20 percent say they do not know what they will do. The reasons given by those who will not choose either option reveal open hostility to the church in only one out of every five cases.

The hostility exhibited among those who are undecided is seen even more rarely (one out of every six cases). What seems to prevail is a lack of information. However, it can not be excluded that, to a certain degree, attitudes favorable to the church are concealed rather than voiced because of what is perceived to be a nonreligious position on the part of the majority.

Willingness to contribute to the church, which 40 percent say is their definite decision, is, logically, found most frequently among practicing Catholics (74 percent) and centrists and right-wing voters (50-68 percent). It is interesting to note in this connection that among practicing Catholics, the number of those who are undecided ranges between 15 and 25 percent. On the other hand, the least inclination to allocate the 0.52 percent to the church—apart from the voters farthest to the left—characterizes more than one out of every three voters not only for the PSOE, but for center-rightist parties, such as the CiU or the PNV (39 percent in all three cases), as well.

Urban Society

The primary reason is the greater extent of secularization in urban industrial society. In such an environment, there is usually better information in general, and on the point which concerns us in particular, and a higher standard of living, and therefore more taxes collected. But at the same time, there is proportionally less religious practice. The figures for Spain are revealing: In the two urban industrial zones, Catalonia and Madrid, and excluding that in the Basque country, there is a higher level of information than average about how the new tax allocation system will function; in all three regions, willingness to contribute the 0.52 percent to the church is less than the average; and it is in these three regions alone that almost 50 percent of all of the national income from the individual income tax is collected (47.3 percent of the gross differential quota). Willingness to contribute to the church occurs with significantly greater frequency among female tax contributors than among the males (45 as compared to 37 percent), as well as among taxpayers in the middle and older age groups. Willingness to contribute to the church is also seen more frequently in the municipalities with fewer than 100,000 inhabitants (46 percent) than in the larger municipalities (36 percent).

Full Self-Financing

For the future, 50 percent of the people believe that it is the faithful who should cover the costs incurred by the church for its religious functions. On the contrary, 38 percent believe that the church should receive some economic aid from the state for the performance of these

functions. This second view is more widespread among practicing Catholics (over 55 percent) than among those who do not practice (only one out of five). It is also the voters in the center and right-wing sectors (except the supporters of the CiU), more than the leftists, who favor some type state assistance.

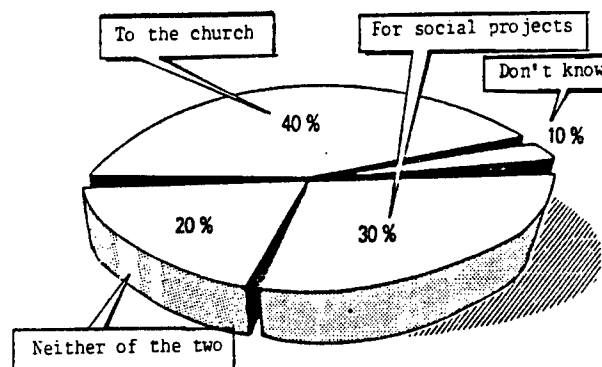
The opposite is the case where the concept of total self-financing is concerned, since it has greater support among the less religious individuals and the leftist voters.

In any case, with the theoretical presumption of a situation in which the church would have to support itself solely through personal and direct contributions by Catholics, 54 percent of all the taxpayers expressed the intention of contributing. This intention occurs more frequently among the more active practicing Catholics (89 percent) than those who are less active (24 percent), and is more frequent among voters for the center and the right wing than among leftists (although 45 percent of the voters for the PSOE and 18 percent of the voters for the PCE say they would contribute).

Survey Data

The study was technically based on an opinion survey using a statistically representative, national sampling of 1,200 taxpayers of both sexes over 18 years of age. The level of accuracy was 95.5 percent, with a margin of error for the overall data of plus or minus 2.8. The sampling was divided among the 17 autonomous communities and seven housing groups (municipalities with fewer than 2,000 inhabitants; those with between 2 and 10,000; those with between 10 and 50,000; those with between 50 and 100,000; those with between 100 and

TAX ALLOCATION:
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400,000; those with between 400,000 and 1 million; and those with more than 1 million). The field work was done between 2 and 9 March by means of interviews in the home. Those to be interviewed were chosen on the basis of routes arbitrarily selected within the electoral district.

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