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# Latin America Report

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2 August 1984

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## INTER-AMERICAN AFFAIRS

### SECOND CONFERENCE ON COMMON MONETARY UNIT SCHEDULED

Santiago EL MERCURIO in Spanish 2 Jul 84 p B-1

[Text] On 12 and 13 July, experts from several Latin American industrial associations will meet in Santiago for the purpose of laying the groundwork for the adoption of a new medium of exchange for intraregional trade, to replace the U.S. dollar in short supply.

The meeting, which will be chaired by the top-ranking head of the Association of Latin American Manufacturers (AILA), the Argentine Roberto Favelevic, is being organized by Manufacturing Promotion, with the cooperation of the Association of Banks and Financial Institutions.

Informed sources indicated that the Santiago conference will be a continuation of the analyses aimed at achieving monetary integration in the region made on 2 and 3 May of this year in Montevideo, within the context of AILA.

On that occasion major progress was made as a result of the submission of eight studies from various countries and economic research centers, according to those queried. For example, there is currently considerable consensus regarding the creation of a monetary unit known as the Latin American Monetary Unit (UMLA)

#### Monetary System

Sources from industry noted that the idea, in its present status, is a result of the contributions from the different countries and economic studies centers in the region, and hence work is under way on the drafting of a report that will totally reflect the proposal.

Generally speaking, the device consists of creating a monetary unit that would have only the United States dollar as a reference, and would be controlled by the central banks of the countries associated with the system. A sizable amount of this unit would be issued, approximately 10 percent of the intrazonal trade; a sum that would be distributed among the nations involved, based upon their share of trade.

In the commercial exchange process, no country could obtain twice its initial share, nor could the respective stocks fall under 50 percent of the starting

figure. To balance the holdings of this monetary unit by the nations, a system of rewards and penalties would be adopted to be applied to exporters and importers, whereby the goal of tending toward balance in the multilateral exchange would be attained.

#### Negotiations

Despite the fact that this method has obtained extensive acceptance, there are some points being improved. For example, Argentina originally proposed the notion that the commercial debits generated among countries be paid in goods. The Argentine delegation will arrive in Santiago on 11 July in order to hold dialog with Chilean representatives on this method and others which have emerged during the past few days.

The sources attached enormous significance to the meeting and, if a final agreement should be reached, as is the aim, it will be announced as a concrete proposal at the annual board meeting of AILA, which will take place this August in Buenos Aires.

#### Effects

According to the sources, the Latin American financial unit would have a group of advantages, starting with the relief that it would represent not to use dollars in the intrazonal commercial exchange at a time when that currency is extremely scarce.

In addition to the strong impetus that would be given to trade in the area, the device would prompt the countries in the system to stop importing a series of goods from third nations, since nearly everything is produced in Latin America.

Those consulted explained that perhaps the most important aspect is the fact that "it would eliminate the restriction imposed by the availability of external funds for financing the development of the Latin American countries."

2909

CSO: 3348/477

FARM POLICY TERMED DETRIMENTAL TO SECTOR

Buenos Aires LA NACION in Spanish 19 Jun 84 p 1

[Text] Horacio Gutierrez and Dr Guillermo Alchouron, respectively president and vice president of the Argentine Rural Society [SRA], yesterday told Dr Bernardo Grinspun of "their concern regarding the manner in which official circles are handling the agricultural question," during an interview conducted by the minister of the economy.

After the interview, the two farm leaders told journalists that the minister of the economy brought up several issues, including "the negative effect on production, among other things, of the restraints recently imposed on sun-flowers, soybeans, and oils, at a time when the world market offers excellent conditions to motivate production of oleaginous produce."

Concerning restrictions on such products, Gutierrez said that they had asked Secretary Grinspun to reduce the rates, as they are a disincentive to expanding land area in cultivation. He added that according to statistics, the SRA is in a position to announce that 20 percent less wheat will be sown than during the previous growing season.

Gutierrez and Alchouron also disagreed with the terms of the official campaign to discourage meat consumption, "which constitutes a definite aggression against the producer, who does not control prices at any step in the marketing process."

The two men likewise protested the government's position that inflation is being fueled by meat when, to the contrary, the price of steers in Liniers is below wholesale and consumer prices.

Gutierrez, following his statement rejecting the official position on inflation, mentioned the results of a recent symposium held in Concordia, which concluded that if political and economic conditions were favorable, the farm sector could increase its exports by 3 billion dollars.

In addition, the minister of the economy was told of discouragement among dairy farmers due to the fact that the Secretariat of Commerce has set prices below production costs validated by the Secretariat of Agriculture and Livestock [SEAG]. Referring to the results of the meeting, the farm leaders said

Grinspun appeared to have absorbed their expressions of concern, and committed himself to holding a new meeting to analyze their problems in greater detail.

#### Meat Prohibition

With respect to the beef prohibition scheduled to begin today at restaurants, hotels, and establishments serving food to the public or engaged in preparing meat dishes to be consumed off the premises, Gutierrez told LA NACION that in his judgment "this step is of absolutely no consequence," and added that "this is not the road to solving the livestock problem."

As was recently reported, the prohibition is part of a campaign designed to change consumer's habits, and is to remain in effect every Tuesday and Friday until next 31 December.

Gutierrez also pointed out that measures such as this one "have been taken frequently in our country, and we have yet to see any positive results." Consequently, he went on, there is little hope that this occasion will be different.

The president of the SRA also denied that beef consumption is a factor in inflation, and further stated that the price of steers in Liniers rose 10 percent in April and 13 percent in March, while the cost of living went up by 18.5 and 17.1 percent respectively during those same 2 months.

Gutierrez also added that between November and last May, while the price of beef went up 104 percent, the wholesale price index rose 120 percent; and in the last 12 months, beef prices went up 490 percent while the wholesale index rose 568 percent.

"Prohibitions, restrictions, and measures to discourage production are obviously conducive to a failure to renew the herds," said Gutierrez. He added that this is the kind of attitude that makes producers lose faith in official policy, which in turn could result in a decline in production.

In relation to demand, Gutierrez concluded that "last week Buenos Aires and the greater metropolitan area consumed beef at the rate of 97 kilos per capita per year, as opposed to 92 kilos the previous week. The tremendous demand is a clear indication that consumer tastes are not going to be changed by fiat."

9839

CSO: 3348/463

SOYBEAN EXPORTS SIGNIFICANTLY TO INCREASE TRADE BALANCE

Buenos Aires CLARIN in Spanish 14 Jun 84 p 28

[Text] Soybean production is expected to reach a record high of 6 million tons for the 1983-84 harvest, up 50 percent over the preceding harvest's 4 million tons.

The impact of soybeans on the balance of trade will be significant, while exports of soybeans, oil, and flour will bring in between 1.5 and 1.40 billion dollars, mainly during the second half of the year, when dollar income from farm products traditionally would be falling off.

The international price cycle, in spite of last month's 15 percent decline for soy oil, can be considered very positive; especially if one takes into account that, over the last 12 months, soy oil quotations have gone up 82 percent on the Chicago market, and 98 percent in Rotterdam. Although the international price trend can only be evaluated with total certainty in October or at the beginning of November, when U.S. production is placed, by that time the Argentine harvest will be almost completely committed.

Although U.S. production of soybeans will recover from the last harvest's decline, the world market has regained its vigor and is registering high demand. This will permit Argentina to take advantage of its large increase in production. According to the second set of estimates issued by the Secretariat of Agriculture and Livestock [SEAG], the current harvest will exceed the 5-year average by 56.9 percent, and the previous decade's average by 143 percent.

The land area devoted to soybean production will also be the greatest in the decade, with 2.6 million hectares under cultivation at a yield of 2.323 kilos per hectare. The increase in yield alone is sufficient to explain the substantial increase in total production, as yields are up from the previous production period by 32.4 percent, a figure which will place Argentina among the leading countries in this field.

Santa Fe, the top soybean-producing province in the country, will show an increase of 76.1 percent, while Salt, whose total production is on a more modest scale, nonetheless made the most spectacular show with an increase of 147.6 percent. Significant increases in production were also shown by other provinces, such as Buenos Aires, Cordoba, and Tucuman.

## BRIEFS

ROAD PROJECT--National deputy Luis Santos Casale (Justicialist Party--Buenos Aires) has introduced a bill to the House of Deputies creating a plan to promote construction, reconstruction, improvements and maintenance of rural roads in order to facilitate the movement of farm products to railways, highways, and ports. The proposed law lays out a means to obtain the necessary resources to implement the plan through the creation of special funds. The first fund is to be raised by means of a 1 percent value-added tax on exports of farm products and byproducts (crops, livestock, and forestry goods). The other fund is to be raised through contributions from special roads consortiums composed of local producers, municipalities, and the provinces. Resources from the latter fund are to be administered and distributed to the provinces by the Federal Roads Council [CPV]. Sixty percent of the funds will be allocated on the basis of rural population, production, and land area of each state, and the rest is to be equally divided. In the first phase, the majority of the funds will be devoted to acquisition of domestically manufactured road-building equipment, which will help to revitalize this branch of industry. The fund, made up of contributions from the various road consortiums, will be spent exclusively to finance the costs of actual road-building. [Text] [Buenos Aires CLARIN in Spanish 9 Jun 84 p 2] 9839

CSO: 3348/463

# ST PETER BY-ELECTION FOR PARLIAMENTARY SEAT SCHEDULED

19 July Poll

Bridgetown THE NATION in English 26 Jun 84 p 1

[Text]

## THURSDAY, July 19, will be the day of decision for residents of the parish of St. Peter.

That's the date announced yesterday by Governor General, Sir Hugh Springer, for the second by-election under the present Barbados Labour Party (BLP) regime. This time it's to fill the vacant St. Peter seat in the Barbados House of Assembly.

That's the date when five candidates, including three independents, will know what effect their months of tough campaigning had on the more than 7 000-strong electorate.

That's also the date when one of the five will be chosen to succeed former speaker and constituency representative, Mr. Burton Hinds, who was forced to step down last month after being away from his duties for just under two years, because of serious illness.

Nomination day for candidates will be on Wednesday, July 4.

The announcement, which had been rumoured to come later this week, was made just before 2.30 p.m., through a Government Information Service (GIS) release, against a background of candidates feverishly digging in throughout the constituency, which spreads

across the northern portion of the island, with coastlines on the east and west.

The five are: Senator Owen Arthur (BLP), Mrs. Sybil Leacock (DLP), Mr. Glenroy Straughn, Mr. Everton Greene and Mr. Martin Cadogan (independents).

The announcement also came at a time when the leaders of both political parties are out of the island. Prime Minister Tom Adams (BLP) is in Britain on Government business while Opposition leader, Mr. Errol Barrow (DLP), is in the United States.

In addition, Deputy Prime Minister, Mr. Bernard St. John, is attending a meeting in Luxembourg and party chairman, Dr. Richard Cheltenham, who is also minister of agriculture, food and consumer affairs, is at a conference in Rome.

A few hours before the announcement, Minister of Parliamentary Affairs, Mr.

Lionel Craig, was sworn in by Sir Hugh Springer as acting Prime Minister.

Now that the date is known, the campaign in St. Peter is expected to swing into high gear by weekend. To date no major public meetings have been held by either of the parties.

House-to-house campaigning, which has been going on day and night, is also expected to be intensified as election fever which up to last weekend, was almost imperceptible among the electorate, builds up.

At January 31, this year, some 7 309 persons had been registered to vote in the constituency, representing only 513 more than the number for the 1981 elections.

In that election, Mr. Hinds received 2 637 votes, Mrs. Leacock 2 307, and independents Everton Green and Anthony Wiggins, 106 and 36 respectively.

The first by-election under the BLP regime in 1978 resulted in a win for the DLP's Dr. Richie Haynes, now the Opposition's spokesman on finance.

## Past Voting Record

Bridgetown THE NATION in English 26 Jun 84 p 1

[Text]

|                             |   |     |
|-----------------------------|---|-----|
| <b>1966</b>                 |   |     |
| K.N.R. Husbands (BLP) . . . | 2 | 401 |
| W.C.B. Hinds (BLP) . . . .  | 2 | 102 |
| Frank Walcott (DLP) . . .   | 1 | 759 |
| Edward Leacock (DLP) . .    | 1 | 522 |
| <b>1971</b>                 |   |     |
| Burton Hinds (BLP) . . . .  | 2 | 544 |
| Asquith Phillips (DLP) . .  | 1 | 965 |
| <b>1976</b>                 |   |     |
| Burton Hinds (BLP) . . . .  | 2 | 661 |
| Sybil Leacock (DLP) . . . . | 2 | 037 |
| <b>1981</b>                 |   |     |
| Burton Hinds (BLP) . . . .  | 2 | 637 |
| Sybil Leacock (DLP) . . . . | 2 | 307 |
| Everton Greene (Ind.) . . . |   | 106 |
| Anthony Wiggins (Ind. . .   |   | 36  |

## Sealy Support for DLP

Bridgetown BARBADOS ADVOCATE in English 26 Jun 84 p 1

[Text]

The role of political activist Mr. Eric Sealy in the July 19 St. Peter by-election will be a very active one with him already in the hustings and his support firmly behind the Opposition Democratic Labour Party's candidate, Mrs. Sybil Leacock.

Sealy who has already held five public meetings in the constituency will be mounting his People's Pressure Movement (PPM) platform at Farm

Road, Speightstown, tonight from 8 o'clock where he and his deputy political leader Winston Parris will both be making marathon speeches. \*

The small but vocal PPM which played a very active role in the 1978 by-election which was won by the Opposition DLP's candidate has promised to play an even more active role this time around.

Mr. Sealy made it clear that while his party was

not working for or on half of the DLP, he found it necessary to throw his party's support behind the Dems because of the policies of the ruling BLP administration.

The PPM which has been getting very large crowds at its meetings will also be doing "some work throughout the villages and various districts of St. Peter" to let the people know precisely where their future stands.

## Voter Registration

Bridgetown THE NATION in English 27 Jun 84 p 1

[Text]

SOME 7 475 parishioners of St. Peter have so far registered to vote in the July 19 by-election.

Their names appear on the revised register of electors to be published by the Chief Electoral Officer, Mr. Dennis A. Smith.

This figure represents 166 more eligible voters in the parish than appeared on the list at the end of January this year, and according to Mr. Smith, there has been "no great rush" by potential voters to get registered since nomination and election dates have been announced.

He noted, however, that up to yesterday, all of the 18-year-olds who have become eligible to vote for the first time in St. Peter have been registered.

Under the Representation of the People Act, all persons qualified to be registered as electors for the constituency should apply to the Registering Officer at the St. Peter's Girls' School not later than July 3 (one day before nomination day).

This meant, Mr. Smith explained, that persons who would become 18 years old, up to and including polling day (July 19), should be registered by July 3.

By that date, new registrants, persons with changes of names and changes of addresses should complete registration. An additional six days — up to July 9 — will be given for persons wishing to draw attention to any omissions or objections to the published list.

Today's published register will also be available for inspection at the revising centre at St. Peter's Girls' School, which will be open to the public from today to Saturday and from Monday July 2 to Monday July 9. Opening time at the centre will be from 4:30 to 7:30 p.m.

The revised register will also be available for public inspection at the Public Library, Coleridge Street; the Government Information Kiosk at Independence Square; the Speightstown branch library, and the District "E" Police Station.

Polling will take place in 12 divisions in St. Peter on election day. The number of polling stations or their locations will not be announced prior to nomination day.

### Meeting With Election Officials

Bridgetown THE NATION in English 28 Jun 84 p 1

[Text]

IN an effort to avoid the confusion that occurred in the 1981 general election, a delegation from the Opposition Democratic Labour Party (DLP) held a two-hour meeting yesterday with Supervisor of Elections, Mr. Dennis Smith, and his deputy, Mr. Simeon Earle.

Allegations had been made by the DLP after the 1981 general election that there were persons who had been deprived of their right to vote because their names had been removed from the preliminary list of voters, published on May 27, 1981, and had not appeared on the final voters list published on June 15, 1981.

After the meeting, which was held at the Electoral Office, National Insurance Building, Fairchild Street, a clean, no-nonsense campaign in the St.

Peter by-election was promised by DLP president, Mr. Branford Taitt.

In the delegation were the DLP's candidate in the July 19, St. Peter by-election Mrs. Sybil Leacock, and her management team — Mr. Taitt, Mr. J. Cameron Tudor, and Mr. J.C. King.

Among the matters discussed were: the voters list, its publication dates, eligibility of voters, and cut-off dates for registration.

Said Mr. Taitt: "Recent statements appearing in the Press concerning the registration of 18-year-olds, up to polling day, had given cause for some confusion."

He added: "This matter was clarified by the supervisor of elections who will publish a statement in due course."

CSO: 3298/970

**BULK OF DEVELOPMENT BOND PROCEEDS EARMARKED FOR TOURISM**

Bridgetown **THE NATION** in English 27 Jun 84 p 1

[Text]

**THE largest slice of the returns from the sale of development bonds will go to tourism.**

However, Senator David Seale disclosed yesterday that the loans would not be for further construction within the industry but for refurbishing and the installation of solar heating for hotels.

Senator Seale, who is chairman of the Barbados Development Bank (BDB), said the fifth issue of the BDB bonds, launched yesterday, would be for \$10 million at an interest rate of eight percent, and would be in two series.

The bonds would have a maximum security of ten years, but the bank reserved the rights at its option, to redeem all, or any, of these bonds between the seventh and tenth years. They could be purchased in various denominations, ranging from \$100 to \$100 000, Senator Seale said.

Other industries which would benefit from the issuance of the bonds are fisheries, small manufacturing and small business. Senator Seale said the bonds played a crucial role in the bank's lending programme, since they would allow the institution to mobilise domestic savings and provide funds, which are channelled into productive areas of the economy.

They also provided counterpart funds for lending programmes which the bank has with international lending agencies, and allowed the bank to finance projects which would not be eligible for foreign funding but which, as a major development agency, it was committed to helping.

CSO: 3298/970

FINANCE MINISTER DISCUSSES DEBT, DEFENSE, BANK GROUPS

Santiago EL MERCURIO in Spanish 2 Jul 84 pp B-1, B-2

[Text] On Friday, Finance Minister Luis Escobar Cerda sent his replies to the list of 20 questions addressed to him by officials associated with the Christian Democratic Party. Since we regard this as being of interest, "Economy and Business" is publishing below the complete text of those responses. For reasons of space, some charts that the state secretary included as annexes have been omitted.

Questionnaire

1. What is the exact level of the foreign debt of both the private and public sectors, including interest and unpaid amortization? What is the timetable for payments and what are the interest rates agreed upon?

Answer: The country's total foreign debt as of the end of 1983 amounted to approximately \$18.61 billion, of which sum \$1.9888 billion was associated with the short-term debt.

Of the total owed, 46 percent related to loans contracted by the public sector (both financial and non-financial), and the rest comprised commitments of the private sector. On the other hand, the country's external financial assets totaled \$4.099 billion at the end of 1983, of which amount \$2.629 billion related to the Central Bank's international assets, and \$1.47 billion to the financial assets position of the rest of the sectors abroad. (Two charts are included, one concerning the profile of payments.)

As for the interest rates that are being paid on the foreign debt, about 15 percent of the obligations are at a fixed rate, which averages about 8 percent per year. With regard to the loans contracted at a floating rate, the spread that is surcharged on the reference rate amounts to an average of about 1.5 percent per year of the LIBOR rate.

2. What is the amount of the commissions paid for carrying out the renegotiation and/or reprogramming of the foreign debt? What are the names of firms, institutions or individuals who carried out these operations?

Answer: A distinction must be made regarding the reprogramming of the foreign debt:

a. New credit, 1983: \$1.3 billion, between Manufacturers Hanover Trust (banks' agent), the Central Bank of Chile (borrower) and Republic of Chile (guarantor). The commissions involved in this operation were as follows:

a.1 Flat commission: 1.25 percent, which is equivalent to \$16.25 million payments to 305 banks on a single occasion.

a.2 Agent's commission: \$500,000 in cash. For the next 6 years they are \$275,000 annually, payable on 28 July of each year.

a.3 Commitment commission: 0.50 percent annually of the unused portion of the credit.

The cost for the 1984 credit of \$780 million just signed was:

1. Flat commission: 0.625 percent, which is equivalent to \$4,875,000, payable to 300 banks on a single occasion.

2. Agent's commission: \$400,000 in cash. For the next 8 years they are \$225,000 annually.

In 1983, the interest rate applicable to the renegotiation was LIBOR plus 2.125 percent, or prime plus 2 percent, at the creditor's option. During 1984, the rates were LIBOR plus 1.75, or prime plus 1.50.

b. Reprogramming of the foreign debt of companies in the Chilean financial public and private sectors. This reprogramming was carried out among 24 institutions (13 in the private financial sector and 11 from the Chilean public sector), and their foreign creditors. The commissions involved were as follows:

b.1 Flat commission: 1.25 percent payable on a single occasion, charged to each debtor. The total amount paid by the aforementioned 24 institutions totaled \$34 million.

b.2 Agent's commission: There is an agent's commission between each debtor and its respective agent (servicing bank). It must be noted that this commission was negotiated privately between the debtor and the respective servicing bank.

3. What are the legal mechanisms of the state guarantees for the private debt to international banks or agencies, and the guarantees that the state has taken or adopted to ensure the return and recovery of money from delinquent debtors for which (the state) has had to pay?

Answer: On this detail it should be pointed out that the Chilean State has not given its guarantee for the debt of private entities to foreign bank- or international agencies.

Without precluding the foregoing, based upon Law No 18,233 the president of the republic was authorized to grant the state's guarantee for, among others, the debts contracted by entities in the public sector and by banking companies and financial associations established in the country, in connection with the reprogramming of a payment that falls between 31 January 1983 and 31 December 1984 for foreign loans in foreign currency existing as of 31 January 1983, granted by financial institutions abroad, as well as for those originating in foreign loans in foreign currency existing as of 31 January 1983 for the payments of 1983 and 1984, which are not reprogrammed; and also those originating in short-term financing in foreign currency, understood to be those granted on terms not exceeding 365 days, associated with foreign trade transactions, granted by foreign financial institutions between 31 January 1983 and 31 December 1984.

By virtue of supreme decrees of the Finance Ministry Nos. 501 and 502, both of 25 July 1983, the president of the republic granted the Chilean State's guarantee for the aforementioned debts, subject to the conditions, ceilings and procedures set forth in them.

As a counterguarantee on behalf of the Chilean State for the surety granted, the banking companies and financial associations have signed private documents in which they declare that they acknowledge the treasury's right of legal subrogation regarding the debts that the former has guaranteed and which it must ultimately pay as a guarantee against the financial entity's default.

4. What is the real status of the Chilean gold reserves turned over as a guarantee for the renegotiations of the foreign debt through the Bridge Loan Terms Sheet Draft No 2, and its subsequent supplements?

Answer: The Chilean gold reserves have not been turned over as a guarantee for the renegotiations of the foreign debt.

5. Is the commitment signed with the IMF on the elimination of wage readjustments and the reduction of the minimum wage still in effect in the collective renegotiations?

Answer: In accordance with the policy of total transparency that I am conducting, I have given instructions to make available for publication the Chilean agreement with the IMF which, therefore, is at your disposal. In any event, the tariffs mentioned in the question have not been negotiated with the IMF.

6. What is the projection of the foreign debt called for in 1984 and 1985, for both the private and public sectors? Have measures been adopted to prevent the commercial risk of the foreign banks with Chilean private entities from being absorbed by the state again?

Answer: As has been specified in greater detail in the answer to question No 10, the medium and long-term foreign debt requirements in 1984 are projected at about \$1 billion. The increase in the short-term debt will depend largely on the country's foreign trade volume and on some factors that are difficult

to predict accurately at this time of the year. In any event, the increment in that type of debt should not exceed \$400 million this year. As for 1985, the foreign debt requirements cannot be determined exactly yet, because this will depend on the macroeconomic program that is adopted and on the levels shown by outside variables, such as the price of copper and interest rates on the international market.

With regard to the last part of the question, it should be stressed that the state's guarantee has not been given for the foreign debts of the private corporative sector.

7. What is the actual level of international reserves, with a precise indication of those which are taxed (swaps) and those which are not?

Answer: At the end of April, the Central Bank's international reserve holdings totaled \$2.0796 billion, while its international assets amounted to \$2.6875 billion. On the other hand, on the same date the Central Bank had debits in foreign currency for the purchase of foreign exchange with a resale agreement (swaps) amounting to \$1.435 billion, most of which related to dollars entering the country through the financial system based on Chapter 14 of the International Exchange Standards.

8. How have all the investments made in the country during recent years been distributed? What amount is associated with internal savings, and what amount relates to funds coming from abroad?

Answer: The gross geographical investment as a percentage of the GDP declined from 21 percent in 1980 to 9.9 percent in 1982, recovering slightly to reach 10.3 percent of the GDP in 1983.

No complete information is available on the destination of the GGI. However, the information based on origin indicates that about 60 percent of the GGI made in 1980 and 1981 was for works construction, including construction, plantations and improvements for land and reproductive livestock, both native and imported. The rest of the investment was the result of an increase in machinery and equipment both of native origin and imported.

As for the financing, in 1980 the external savings were equivalent to 7.2 percent of the GDP, whereas the gross national savings totaled 13.8 percent. This situation was reversed in 1981 and 1982, when the external savings become the predominant source of financing. In 1983, the external and internal savings shared the financing virtually in equal portions, although the total level of savings was substantially lower than in previous years.

9. What is the amount of the commitments for capital repatriation and potential use?

Answer: Part of the answer to this question was given in the response to question No 1. Nevertheless, for a more complete answer the question must first be specified in more detail.

10. How much of the credit required to pay off the 1984 deficit in the balance of payments has actually been successfully negotiated?

Answer: Based on the original projection, which served as the basis of the negotiations with the International Monetary Fund, net external financing of \$1.25 billion was considered necessary. The most recent projection, considering the results for the first quarter of the year, the recent hikes in international interest rates and the drop in copper prices, indicates that the country will need net external financing of \$1.535 billion. To avoid a loss of reserves during the year, the following sources of external financing have been called for:

(In millions of U.S. dollars)

|                                  |         |
|----------------------------------|---------|
| I. Direct foreign investment     | 121.5   |
| II. Medium and long-term debt    | 961.4   |
| a. Central Bank                  | 755.6   |
| b. Rest of the public sector     | 480.5   |
| c. Private and banking sector    | 274.7   |
| III. Short-term capital turnover | 452.0   |
| TOTAL                            | 1,534.9 |

During the second week of June, the Central Bank signed a loan with the international banks for 9 years, with a 5-year grace period, amounting to \$780 million; which would ensure the external financing for 1984. During the first quarter of the year, there was a net capital income of \$356.4 million; in other words, \$295.4 million more than originally programmed.

11. What is the debt and the real cost for national defense and the purchase of weapons? We are asking for the background information contained in the national budget as well as that of an additional nature.

Answer: According to the background information available in the public sector budget law for 1984, the fiscal expenditure in the Defense Ministry is budgeted at 48.29812 billion escudos, and \$70.83 million for the Armed Forces, and at 18.97274 billion escudos and \$4.03 million for the Forces of Order and Security.

12. What is the number of troops currently in the Armed Forces, and how much does their support cost the country annually?

Answer: Historically, and for reasons of national security, the information on the number of troops in the Armed Forces has been confidential. In any event, the funds required for their support are provided for in the budget law. (See answer to question No 11.)

13. What is the list of the 50 largest debtors to the national financial system?

Answer: The information regarding the data on the 50 largest debtors to the financial system is confidential and cannot be provided to the public by the Superintendency of Banks and Financial Institutions.

14. How much has the state contributed to the private and intervened banks and those in a state of liquidation, and what is the program for amortizing those contributions?

Answer: The current loans of the Central Bank to banks and financial institutions in a state of liquidation or intervened amount to:

(In millions of escudos)

|                                        |         |
|----------------------------------------|---------|
| Institutions in a state of liquidation | 60,162  |
| Intervened institutions                | 102,328 |
| TOTAL                                  | 162,490 |

These emergency loans are short-term credits which have actually been renewed and/or cancelled based on the amounts of liquidity in the institutions which have required this assistance.

15. In the future, will the special conditions for renegotiating the debts of the economic groups be retained, or will there be an end to the discrimination in setting terms for renegotiation with regard to the other debtors?

Answer: The reprogramming of debts of the economic groups which has been carried out has been agreed upon with their creditors, based on the regulations currently in effect, which do not include provisions that benefit those debtors in particular.

16. Is it true that, for lack of liquidity and foreign exchange supplies, the Central Bank has implemented delaying procedures regarding imports, as in the case of oil, causing shortages of the product? Will there be a continuation of these delaying procedures aimed at curtailing imports, with the serious risk of causing shortages of staple products for feeding Chileans?

Answer: It is not true. As for imports in general, there are no delaying tactics on the part of the authorities, and the country is enjoying unprecedented free trading.

The government's agricultural policy, of which the wheat plan has been an essential part, and for the next agricultural season the oil-seed plan, call for "price brackets" for these products (wheat, flour oil-seeds and oils), which will guarantee the farmers minimum (and maximum) income.

These devices might possibly raise the cost of imports of such products; nevertheless, the increases that have occurred in their international prices have made it unnecessary to apply measures that could raise their import cost.

As a result, the danger of "shortages" that you have mentioned is not discernible.

17. What is the status of the delinquent debt for housing loans at present?

Answer: The delinquent status of the mortgage loans for housing from the financial system was as follows as of 31 March of this year:

|                            | As a percentage of the total debt |
|----------------------------|-----------------------------------|
| Amount per day             | 68.9%                             |
| One dividend in arrears    | 10.2%                             |
| Two dividends in arrears   | 5.9%                              |
| Three dividends in arrears | 3.0%                              |
| Four dividends in arrears  | 10.0%                             |

The total debt used to calculate these percentages was 43.763 million UF. The due portion of the loans granted through the issuance of letters of credit amounted to 2 percent of the total at the end of March of this year.

18. What were the government's reasons for legally abolishing the inspectional authority that the Office of the Comptroller General of the Republic had with regard to services to financial institutions, such as the Central Bank, the State Bank and the Superintendency?

Answer: Insofar as this question is concerned, it should be pointed out that according to Decree Law No 38, published in the Official Gazette on 2 October 1973, the Government Junta subjected the Central Bank of Chile, the State Bank of Chile and the Superintendency of Banks to inspection by the Office of the Comptroller General of the Republic. That same year, and through Decree Law No 231, published in the Official Gazette of 31 December 1973, the Central Bank of Chile and the State Bank of Chile were excluded from the application of the aforementioned Decree Law No 38, and starting on that date they were subject to the exclusive inspection of the Superintendency of Bank, now the Superintendency of Banks and Financial Institutions.

As may be observed, this inspection, assigned to the Office of the Comptroller General of the Republic existed for a very short period of time, and was changed because, in the case of the aforementioned banks, a double inspection was occurring which, in the end, would only hamper the activity of these entities, upon being subject, on the one hand, to checking by the Superintendency of Banks and Financial Institutions and, on the other, to that of the Office of the Comptroller General of the Republic which, moreover, has a certain degree of inspection authority over that Superintendency.

19. What is the real loss of savers in the mutual funds and the insurance companies in a state of liquidation?

Answer: The real loss incurred by savers in mutual funds that are in a state of liquidation will in the end depend on the final results of the

liquidation process which is being carried out; and for the time being it is risky to make any statement about partial or total figures.

The potential losses that they could incur will depend on the mutual fund to which the shareholder belongs and on the investment portfolio that these funds have.

Also, the period of the liquidation process is uncertain, and will be different for each fund. Some have already been liquidated, such as the BHC financial entity, in which the recovery was about 160 percent of what had been deposited. In the case of the Stock Exchange and the Lifetime Cooperative, their shares of stock have been totally distributed. On the contrary, for others, such as the BHC Fund, a loss exceeding 60 percent has been estimated. There is a great deal of variation between one fund and another, and the losses that have actually occurred will be impossible to specify until the respective liquidations have ended.

The foregoing also holds true for the insurance entities, in the sense that they are in a process of liquidation, and hence the final amounts of recovery are still uncertain. (A chart containing estimated calculations is provided.)

20. What is the debt of the two major Chilean newspaper groups to the financial system? How much of that debt is to the state bank, CORFO [Production Development Corporation] and the intervened banks and those in a state of liquidation?

Answer: As for the data on the debt of the two major Chilean newspaper groups, the information that the Superintendency of Banks and Financial Institutions has on this is confidential and cannot be given to the public.

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## CHILE

### MILITARY SPENDING INCREASES, ARMS PRODUCTION ANALYZED

Santiago MENSAJE in Spanish Jun 84 pp 247-252

[Article by Augusto Varas: "Militarization and National Defense in Chile"]

[Text] This article analyzes military spending on the basis of both domestic and international information available to the public. It also takes a look at Chile's policy on weapons imports and domestic arms production. Domestic production is a new development (since 1978) and runs counter to overall economic policy over the past 10 years, inasmuch as Chile does not have "comparative advantages" in this sphere. The article also deals with the economics and politics of military spending and concludes by advocating a national defense policy that is somewhat broader than the purchase and manufacture of weapons.

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The level that military spending has reached in Chile over the past 10 years has become more than just a budgetary problem; it is a political phenomenon that is compromising the entire country.

The trend that began in 1973 has to do with the nature of the Chilean military regime. Since 1975 in particular, it has been characterized by a clear-cut division between the governmental functions assigned to certain superior Armed Forces and Carabineros officers and the institutional tasks proper assumed by each of these branches.

The division of functions between governmental and military tasks can be explained, first of all, by the planning for potential outbreaks of fighting, for which mounting funds were earmarked, especially in 1973 and 1974 in the north, as well as in 1977 and 1978 along the southern border. Secondly, the regime's political stability has wound up being conditioned by the tight control that the army exercises over military institutions as a whole. From the outset of the military regime it was clear that the political stability of the institutional high command would hinge on keeping the Armed Forces outside the political struggle and the tensions generated by government action. Their isolation

qua institutions of direct government leadership has prevented inter-branch conflicts. Thus, the removal of the commander in chief of the air force in 1978 did not lead to a confrontation comparable to those that have been observed on more than one occasion within the Argentine Armed Forces.

The model of relations between the Armed Forces and the government is characterized by the preponderantly governmental function of the institutional high command and the clear-cut separation of the branches of the military from government administrative tasks, as they are restricted to technical fields proper. The need to prevent the Armed Forces from becoming partisan led the regime to reverse the parceling out of government functions. The initial trend was reversed, partly spurred by the reduction and limitation of government activity throughout the country.

The border tensions that exerted strong pressure on defense spending were heightened within the context of professionalized Armed Forces that were highly ideological, subordinate to the army and, within this political and ideological framework, nondeliberative.

Another factor that has promoted a rise in military spending has been the regime's "stable temporariness," which has intensified since the enactment of the 1980 constitution. The shifting power relations inside the government (which has been characterized by this flux all these years) have given rise to permanent tensions between two very different views of the State's role and, therefore, of the Armed Forces within the State. This has evinced the equally temporary stability of internal political accords and the increasingly short periods for action of each sector within the regime. The instability, in turn, puts pressure on the Armed Forces, which through their high command attempt to conserve a high level of autonomy in budget and spending matters.

As the Executive Branch has tended to underscore the Armed Forces' function of supporting their regime, they have seen their demands for budgetary autonomy met. Thus, each branch of national defense has begun to decide on its own institutional means and ends and to look after its own interests, with no restrictions other than self-regulation, which comes into play only in times of crisis and does not apply when funding is plentiful. In addition to their traditional institutional autonomy,<sup>1</sup> the Armed Forces are now able to allocate funds with no institutional checks or control mechanisms other than their own definitions of what they conceive at the time as in the "national interest." In times of border tensions, institutional self-regulation has quickly given way to massive stockpiling and equipment procurement.

The increases in Chilean military spending over the past 11 years are one more indication of the degree of institutional autonomy that the Armed Forces have achieved, their impenetrability and, therefore, the declining or nonexistent civilian control over their institutional processes.

## Military Spending

The increases in military spending in Chile between 1973 and 1982 have exceeded the rises in recent decades.<sup>2</sup> Although budget allocations for the Armed Forces increased considerably during the Ibanez administration (1952-1958), they did not constitute a stable trend. They were, instead, exceptional measures that did not represent sharp increases in military funding over the long term.

Military spending has taken on a new look since 1973. The absence of controls enabled the Armed Forces to boost their funding by 35 percent in real terms in just 1 year of government (1973 to 1974). The increase is even more significant given that since 1969, after the Tacna rebellion, the military has somewhat reversed the decline in its share of the national budget. Consequently, the increase came on top of a far from paltry budgetary allocation.

Table 1. Military Spending and the Gross Domestic Product: 1974-1981  
(1974=100)

| <u>Item</u>       | <u>1974</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> | <u>1978</u> | <u>1979</u> | <u>1980</u> | <u>1981</u> |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| GDP               | 100.0       | 87.0        | 90.1        | 99.0        | 107.1       | 116.0       | 124.8       | 131.4       |
| Military spending | 100.0       | 79.6        | 79.0        | 101.9       | 114.5       | 125.2       | 128.8       | 141.2       |

Source: Central Bank, Monthly Bulletin No 651, May 1982, p 1,071 (for GDP)  
Same source as Table 2 (for military spending)

The trend in military spending after 1974 is related to the general trend in the domestic economy. Thus, the recession induced in 1975 and 1976 brought a real drop in the military budget, especially in the latter year. Nevertheless, during 1977 military spending jumped 29 percent in real terms, exceeding its 1974 levels. The increases since then have been less spectacular, but by 1981 defense spending totaled \$1.5 billion, up 92.1 percent in real terms from 1973.

Military spending drops as the gross domestic product shrinks. However, when the GDP rises, military spending increases much faster.<sup>3</sup>

These increases become even more significant when we compare them with the decline in government involvement in the economy as a whole. Between 1974 and 1979, total government spending declined 17.8 percent in real terms,<sup>4</sup> and per capita government social spending fell 9.7 percent. Government activity in the various sectors has not been uniform, as it has given priority to spending on education (preschool and primary school, in particular) and defense. Thus, in spite of the sharp drop in overall government spending, there has been a reallocation of shrinking State funds. Housing and health care have been adversely affected, with the two aforementioned sectors benefiting. As the government withdraws from major investment spheres, it earmarks the reallocated funds primarily for personnel and administrative outlays.

Nevertheless, as we will see further on, in the case of military spending priority has been given to investments in infrastructure and equipment.

Of particular interest is the fact that the allocation of funds has not been symmetrical in defense spending. In Table 2 we can see that of the four current defense branches, Investigations, Carabineros and the army show the sharpest increases, with the air force and the navy lagging far behind. These trends show that the criteria for allocating funds have been to the advantage of those institutions directly or indirectly involved in maintaining the current internal political order. Paradoxically, branches that would be of crucial importance in any modern war that our country might wage (the navy and air force) have seen their funding more tightly controlled than the others. This comparison shows how instrumental border tensions have been in keeping the Armed Forces subjugated to politics and ideology.

It is noteworthy that the only sphere that has shown no slowdown in its rate of spending increase has been the nuclear program. It has posted major increases for the pursuit of its activities, with spending hitting \$14.45 million in 1979.

The attention devoted to the nuclear program is consistent with the explicit policy of nuclear development that major public opinion groups have advocated in the country in recent times. When Chile signed the Nuclear Nonproliferation Treaty on the condition that Argentina and Brazil, the region's main nuclear powers, sign as well, it placed a question mark next to a program that would be on the wrong track if it were an attempt to substitute for the country's enormous hydro-electric potential.

In summary, Chilean military spending has been channeled mainly into activities related to maintaining internal law and order, an additional argument being the border tensions that the country has faced. The regime's relative isolation has been another factor in arguing the need for higher military spending. And all of this has taken place within a framework of greater relative autonomy for the military.

#### Arms Imports and Production

The higher military spending has been used both to increase the ranks of active servicemen and -women from 75,000 in 1973 to 111,000 in 1979 and to purchase and import technologically sophisticated modern weaponry.<sup>5</sup> Thus, whereas \$225 million was spent between 1970 and 1974 for weapons purchases, \$543 million was spent from 1975 to 1979.<sup>6</sup>

The increasingly diversified weapons imports have strengthened the country's offensive and defensive capabilities, as it has brought in various types of missiles (including Exocets), fighter-bombers, tanks, submarines, frigates and high-speed missile launchers. This massive incorporation of new technology has not brought cutbacks in personnel. In fact, there has been a steady increase in personnel.

Table 2. Military Spending Overall and by Branches 1973-1981

| <u>Branch</u>                      | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> | <u>1978</u> | <u>1979</u> | <u>1980</u> | <u>1981</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Carabineros                        | 100.0       | 152.7       | 125.8       | 129.7       | 164.1       | 185.8       | 204.9       | 199.2       | 209.2       |
| Investigations                     | 100.0       | 139.2       | 133.4       | 182.4       | 233.0       | 289.0       | 343.3       | 372.7       | 370.9       |
| Army                               | 100.0       | 158.4       | 107.8       | 110.1       | 147.8       | 173.5       | 188.1       | 176.9       | 183.9       |
| Air Force                          | 100.0       | 86.8        | 118.2       | 77.3        | 110.0       | 128.6       | 150.1       | 138.7       | 163.8       |
| General Directorate of Recruitment | 100.0       | 33.6        | 33.6        | 18.4        | 21.0        | 33.9        | 170.8       | 136.4       | 200.9       |
| Navy Hydro-graphic Institute       | 100.0       | 58.6        | 38.8        | 122.1       | 95.0        | 209.1       | 199.9       | 362.2       | 481.0       |
| Aerosurveying Service              | 100.0       | 170.3       | 94.4        | 128.5       | 204.8       | 281.3       | 363.5       | 326.5       | 438.3       |
| Military Geography Institute       | 100.0       | 24.8        | 33.4        | 47.3        | 101.9       | 284.6       | 355.7       | na          | 503.8       |
| Army Ordnance                      | 100.0       | 123.4       | 110.5       | 226.3       | 260.5       | 220.0       | 169.1       | 157.2       | 162.1       |
| Naval Docks and Yards              | 100.0       | 118.9       | 119.2       | 92.8        | 114.9       | 170.2       | 199.0       | 243.3       | 295.3       |
| Social Security                    | 100.0       | 151.8       | 117.6       | 121.2       | 165.5       | 171.7       | 171.7       | 223.4       | 261.8       |
| Nuclear Program                    | 100.0       | 158.2       | 266.7       | 464.4       | 665.7       | 770.7       | 960.4       | na          | na          |
| Total \$US (1979)                  | 100.0       | 136.0       | 108.3       | 107.5       | 138.7       | 155.8       | 170.3       | 175.3       | na          |
| (in millions)                      | 776.5       | 1,056.9     | 841.4       | 835.1       | 1,077.5     | 1,210.7     | 1,323.3     | 1,362.1     | 1,492.7     |

Source: Augusto Varas, "Militarization, Arms Buildup and Military Spending in Chile: 1973-1981," Working Document, FLACSO, October 1982

In spite of the massive weapons imports, a local arms industry began to be developed in 1978, and it currently manufactures weaponry for the army, navy and air force. For example, the ASMAR [Naval Docks and Yards] budget increased substantially as of then. With French technical assistance, the navy's shipyards are building "Batral" (Light Transport Vessel) landing craft that can carry an infantry company, five battle tanks, a helicopter landing pad, guns, mortars and all their equipment.

A different policy has been pursued for army materiel, as the "Cardoen" firm, a private weapons manufacturer, has been promoted. In 1978 the army began ordering "Pirana" armored cars (built under Swiss license), which are suited for troop transport and combat support action. The company has branched out into exports of these armored vehicles, as well as of explosive materials on a large scale.<sup>7</sup> For these reasons, the FAMAE [Army Ordnance] budget was cut by almost a fifth from 1977 to 1978.

For its part, the air force has pursued a mixed policy. On the one hand, together with the private firm SOGECO [General Association of Commerce], it designed a modern, high-precision antiaircraft machine gun, the "Grua Uno." On the other, concurrently with the purchase of the Mirage aircraft, it began assembling fighter planes in the country, as well as other models such as the "Piper Dakota." These activities were the basis for the creation of the "National Aircraft Industry," which began constructing, under Spanish license, the unsuccessful subsonic jet plane called the CASA-101 Aviojet, an equivalent of the Argentine "Pucara" and suited to training and counterinsurgency missions.

The Chilean military regime has promoted state-run and private domestic defense industry, an area in which the country unquestionably lacks "comparative advantages." This flagrant contradiction with the economic model that the regime itself helped to implement illustrates how institutionally autonomous the military has become. To the extent that the local military industry was created and is maintained on the basis of domestic military spending, its export potential cannot offset the medium- and long-term commitment that these activities prompt. Therefore, the fact that the armed forces have defined their institutional personality and their relative autonomy with regard to their own industrial defense capability, raises legitimate doubts as to the future of these activities, as well as about the long-range commitments that they entail for an alternative development strategy.

#### The Economics and Politics of Military Spending

Mounting military spending has a wide variety of economic and social consequences.<sup>8</sup> In Chile's case, however, given the features of its economic growth strategy, the consequences have grave overtones.

As defense spending rose as overall government spending fell, the way in which the latter was redistributed internally was not of crucial importance for the "model's" orientation. Thus, high rates of increase

in military outlays coexisted with GDP growth. The contradiction that marked the former substitutive industrialization period was resolved in favor of military spending. As the government reined in its economic activities, the increases in military spending did not, in the short run, conspire against domestic economic activity, though the increases came at the expense of other government investment and consumption activities and were sustained by massive international borrowing. This method of dealing with the military's pressures for more and better equipment and new hiring momentarily alleviated the traditional tensions between civilians and the military. Thus, relations between the Armed Forces and the technocracy of the economic sector did not sour. On the contrary, a certain complementarity was achieved that furthered the interests of both sectors. The civilian-military alliance enabled the financial-business community to carry out its program without the "bothersome hindrances" of a democratic system. The military, in turn, has indiscriminate access to government funds and overseas borrowing. It is not strange, therefore, that a public opinion climate has been created that favors both military spending and the use of force in the event of international disputes.

The increases in military spending above the historic average represent a nonrational use of government revenues earmarked for the military. As national defense has wound up depending exclusively on the defensive and offensive capabilities of the Armed Forces, civilian resources that are as important or more so have been disregarded. The defensive function of a wideranging and solid system of political and diplomatic alliances, of hard-won international prestige or of minimal internal social unity has been downplayed. These resources have not been considered, both as a result of internal political conditions and a foreign relations policy that emphasizes narrow nationalistic criteria instead of supra-national criteria. In a way, the very ideology of possession-oriented liberal individualism tended to indirectly reinforce this view of foreign policy.

The most readily available expedient under conditions of international isolation and a transitory political system is an expansion of the military arsenal, which will never be large enough to quiet all of the technical concerns of the Armed Forces.

Democratic control over military spending would unquestionably see to it that government revenues were allocated for consumption or investment activities other than "luxury" purchases of weaponry for the Armed Forces. Although we should not pursue a policy of total, unilateral disarmament, excessive military spending subsidizes the domestic and international military industry and is a mounting burden on taxpayers, especially on the masses of consumers.

As the government derives more and more of its revenues from indirect taxes on the masses of consumers, the population as a whole winds up financing military spending and subsidizing the defense industry.

Table 3. Direct Taxes (DT) as a Percentage of Indirect Taxes (IT) and the Two in Relation to the GDP

| <u>Year</u> | <u>DT/IT</u> | <u>DT/GDP</u> | <u>IT/GDP</u> |
|-------------|--------------|---------------|---------------|
| 1971        | 50.4         | 5.8           | 11.5          |
| 1975        | 48.7         | 6.5           | 13.4          |
| 1978        | 35.9         | 6.4           | 17.7          |

Source: Central Bank, Monthly Bulletin No 631, September 1980

From a social standpoint, excessive military spending has important alternative uses. If we assume that Armed Forces outlays between 1975 and 1979 were more than enough to meet their needs and if we further assume that current domestic and international conditions will persist, we can estimate the alternative uses to which the excess could be put if that average level of spending were to be maintained. Thus, our estimate is that the military's allocation was \$300 million higher in 1980 than the average of the 1975-79 period and that it was \$470 million higher in 1981. This excessive spending could have been used to satisfy some of the most urgent basic needs of the population.

If the excess military outlays in 1980 had been earmarked for social ends, the country could have covered much of its shortfall in sewerage and drinking water, low-cost housing, public schools, secondary schools, health care centers and emergency rooms.

Thus, without impairing national defense, effective controls on military spending and a reallocation of the excess for social priorities could help to resolve pressing domestic problems.

In conclusion, we should emphasize that military spending to import or manufacture weaponry or to maintain military establishments with ever larger arsenals, has an economic and ideological impact on the population as a whole. As the spending is done pursuant to the peremptory requirement of protecting "national interests," the underlying social imbalances tend to be kept concealed. Thus, excessive budgetary allocations for the military enable us to avoid facing the fact that using the excess for other purposes, industrial investment for example, would require sweeping changes in the country's current socioeconomic structure. In this way, the national defense argument is used to deter the changes that would be needed if the excess military allocations were put to social uses. These monies could be invested in industries that produce mass consumption items only if there were a more egalitarian socioeconomic structure geared towards meeting the basic needs of the majority of the population.

Table 4. Alternative Use of Excess Military Spending (Military Spending in 1980 Minus Average Military Spending from 1975 to 1979= \$294.59 million)

|             | <u>Sanitation</u><br><u>Infrastructure</u> |                                               | <u>Housing</u>                                    | <u>Education</u>                |                               | <u>Health Care</u>                             |                                              |
|-------------|--------------------------------------------|-----------------------------------------------|---------------------------------------------------|---------------------------------|-------------------------------|------------------------------------------------|----------------------------------------------|
|             | <u>Drinking</u><br><u>Water Taps</u>       | <u>Home</u><br><u>Sewer</u><br><u>Hookups</u> | <u>Low-Cost</u><br><u>Housing</u><br><u>Units</u> | <u>Public</u><br><u>Schools</u> | <u>High</u><br><u>Schools</u> | <u>Health</u><br><u>Care</u><br><u>Centers</u> | <u>Emer-</u><br><u>gency</u><br><u>Rooms</u> |
| Equivalence | 336,787                                    | 667,390                                       | 31,010                                            | 149                             | 146                           | 70                                             | 1,724                                        |
| Nationwide  |                                            |                                               |                                                   |                                 |                               |                                                |                                              |
| Shortfall   |                                            |                                               |                                                   |                                 |                               |                                                |                                              |
| in 1980     | 454,843                                    | 901,143                                       | 703,200                                           | na                              | na                            | na                                             | na                                           |

Source: Documentation Center, FLACSO, Chile

#### A National Defense Policy

A national defense policy that does not emphasize solely military resources should seek to take maximum advantage of the country's potential through diplomatic and political agreements, a strategy of wideranging and diversified inter-government alliances, international initiatives to bring together most of the nations in the region and a clarification of national interests through a true, open nationwide debate.

Moreover, such a policy should regard as detrimental the authoritarian reaffirmation of what is good, just and equitable for the country as a whole. This unquestionably entails a democratization not only of the nation's political structures but also of the Armed Forces themselves. Discussion of this issue, which has always been avoided so as not to incur the stigma of being called unpatriotic, implies a recognition that developments within the military have never remained within its borders as an institution. On the contrary, they quickly have an impact on the rest of society. Therefore, the dialogue and interplay between civilians and the military must aim at a collective definition of the nation's true interests and of the means for achieving an effective national defense.

Finally, a new defense policy is predicated on a critical analysis of the use that the military makes of the funds allocated to it, as well as of the type of weaponry that it acquires. These issues have been customarily reserved for specialized technical circles, which has tended to reinforce the corporative drift of the Armed Forces. Nevertheless, any moderately well-informed citizen of this country could both analyze the premises of national defense and assess the military's performance. Therefore, information on and a public analysis of all issues relating to a better defense of the people's sovereignty should be an ongoing task of our society.

Well-defined national defense premises and civilian control of national defense are the main criteria for a military policy geared to conditions in a country like ours, where there is still so much poverty to be eliminated

#### FOOTNOTES

1. According to the Stockholm International Peace Research Institute (SIPRI), "Monitoring parliamentary debate in Argentina, Brazil and Chile, the International Studies Center of the Massachusetts Institute of Technology found that defense spending was rarely questioned." SIPRI, "The Arms Trade with the Third World," Penguin Books, London, 1975, p 262.
2. Military spending is understood to mean the sum total of government revenues allocated to activities related directly or indirectly to national defense, including paramilitary police forces and nuclear activities, especially if the latter are under military supervision. Thus, the United Nations defines military spending as the total funds allocated to the use of force in conflicts between States. The source cited in the case of Chile views military spending as the actual, not just budgeted expenditures of the four branches of national defense, plus the respective institutes, social security and the nuclear program. The estimate was based on the Consolidated Balance Sheets of the General Comptrollership of the Republic, which show actual minimum expenditures. We would have to add to this an estimate of the allocation of the proceeds from international copper sales, a law that has not yet been published.
3. Since we do not have available the corrected figures of the National Accounts for the entire decade of the 1970's, we cannot do any comparisons with 1973. Nevertheless, we can assert that our comparison overestimates the drop in military spending as a percentage of the GDP, inasmuch as the comparison is based on 1974, when military spending rose several times faster than the GDP.
4. In this section we have used the analyses and data presented by Jorge Marshall, "Government Spending in Chile," Estudios, CIEPLAN, No 5, 1981.
5. U.S. Arms Control and Disarmament Agency, "World Military Expenditures and Arms Trade," Washington, D.C., 1981.
6. SIPRI, "Yearbook," 1981.
7. COSAS (magazine), No 120, 7 May 1981; and EL MERCURIO, 21 June 1982.
8. United Nations, "Economic and Social Consequences of the Arms Race and Military Expenditures," New York, 1978.

## CHILE

### SOVIET OFFSHORE FISHING ACTIVITY INCREASES

Santiago ERCILLA in Spanish 20 Jun 84 pp 12-13

[Article by M. Isabel Fernandez]

[Text] The clever wit of Lukas recently depicted the situation quite accurately. Under the title of "Neighbors," a man leafing through a newspaper remarked to another: "Now Chile's boundary on the west is the Russian fishing fleet ..."

The cartoon is not a far cry from reality. More than 80 vessels flying the flags of the Soviet Union, Poland and Cuba have been seen operating off the Chilean coast during the first 5 months of the year, at the very edge of the 200-mile exclusively national economic zone.

The odd show of "neighborliness" off our shores is beginning to be of serious concern to the authorities, not only because of the additional number of vessels (the fleet has doubled in 3 years) but also because of the as yet unknown characteristics of its "political" activities and the ichthyological damage that indiscriminate fishing could cause to our maritime reserves.

Last March, one of these "fishing boats" (the "Kurskaya Duga") had to make an emergency call at Valparaiso because one of its crew members had been in a serious accident. Found on board on that occasion was extensive political propaganda in Spanish, English, Portuguese and Italian. Not only was the vessel carrying simply worded books and pamphlets but even movies illustrating the "merits" of the communist doctrine. One of the books was a 185-page pocketbook published by the NOVOSTI news agency in Moscow, entitled "The USSR: 100 Questions and Answers." According to assessments made public later, its audience was the workers at the largest port in one of our neighbors to the north, where the fishing vessel's base of operations is located.

The Chilean authorities were not taken by surprise. It is a well-known fact that in addition to the latest catch processing technology, these factory-ships are outfitted with modern communication equipment, radar and extraordinary electronic antennas. It is also well-known that the Soviet fleet, the largest in the world, is regarded by many

countries as "the best network of agents that Soviet intelligence has" and that on board each vessel travels a political commissar of the Communist Party, "who has greater authority than its captain."

#### Increased Catch

Sources consulted by ERCILLA indicated, however, that infiltration or political espionage is not the main task of these vessels off the Chilean coast. Close, ongoing monitoring of their activity has revealed that fishing is their primary concern.

In recent years the Soviet Union has had to tackle an unforeseen problem: its traditional sources of food from the sea have been closed off as more countries have adopted the policy of a 200-mile economic zone exclusively for their use. As a result, the Soviets have been forced to fish in new waters to feed their people, one-fourth of whose total protein intake consists of seafood. In 1982 alone, for example, they consumed a total of 14 million tons of seafood.

Thus, the reoutfitted and enlarged Soviet fleet began charting new courses as of 1976: New Zealand, the African coast (off Angola and Namibia) and, in particular, the waters off Chile because of their well-known wide variety of seafood owing to the Humboldt Current.

Thus, a steady stream of heavy-tonnage boats, freighters, refrigerator ships, oil tankers and exclusively research vessels began invading our coastal waters. The monthly average in 1981 was 42 vessels, rising to 64 the following year and to 73 in 1983. Over the first 5 months of this year, an average of 80 vessels a month have been sighted, suggesting that the expansion will be increasingly rapid.

The annual catch of these fishing vessels is also on the rise. According to data handed over to ERCILLA, the 1981 catch totaled 378,000 tons, rising 167 percent 2 years later (1983). In other words, the Soviet fishing fleet's catch off Chile's shore totaled an incredible 1,401,600 tons last year.

#### Operations

Though they fish the length of the Chilean coastline, the Soviet vessels concentrate on three areas: off Antofagasta, between Valparaiso and Talcahuano, and most of all between Talcahuano and Chiloe. They fish mainly for a species similar to the "caballa," which the English-language catalogs call the Spanish Mackerel.

Fishing is only the beginning of their work, though. These factory-ships do all of the processing on the high seas. The fish tails and heads are quickly turned into fishmeal for Soviet sheep. The rest is filleted or cubed and then packed for subsequent loading onto refrigerator ships headed back to the Soviet Union. That is not all, though. If they take a large haul of lobster, crab or squid, this catch is

packed away as well, but the destination is not the same. They are sold to European countries, bringing in handsome amounts of dollars.

The Soviet fishing fleet's base is the largest port in a neighboring country to our north. They put in every 8 months for repairs and to change crews, returning later to their catch sites. They are on the high seas in winter and summer. If the conditions are not right for a good catch, they research the fish stocks and thus find new catch sites. Although the fleet comprises vessels flying different flags, they share both scientific and practical data. Furthermore, they move in unison.

The way was paved in 1971 for these vessels to fish off our coast when the Popular Unity government signed an agreement with Cuba and the Soviet Union that even allowed them within the 200-mile zone. The contract lapsed in 1973. A few years later, however, they were at it again, this time outside the exclusive economic zone. There is no international treaty to prevent them. Not only might they on occasion violate the 200-mile limit, thus further damaging the ecological resources of our waters, but in a few years the Chilean coast could become the Soviet Union's "granary."

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CSO: 3348/472

CHILE

SOVIETOLOGIST SEES NATION AS SOVIET TARGET

Santiago ERCILLA in Spanish 30 May 84 pp 45-47

[Interview with Juraj Domic, Sovietologist and professor at the Political Sciences Institute of the University of Chile, by Andrea Orzegow; date and place not specified]

[Text] 17 April: The Soviet Union issued a new warning today that it would not tolerate political liberation in Eastern Europe.

21 April: The Soviet Union announces a "hot spring," as it will not resume any talks on nuclear disarmament with the United States until the new medium-range missiles are withdrawn from Europe.

26 April: Chairman Konstantin Chernenko prepares a new long-term program for the Communist Party.

13 May: A U.S. intelligence report says that the Soviet Union could be developing a new intercontinental ballistic missile.

These almost daily news items create expectations and doubts. But the news with which we are bombarded about the Soviet Union comes not only from its own sources or the sources of the major powers in general but also from countries that Moscow has in its "sight," such as Chile. Two examples from this month should suffice.

Minister Jaime del Valle: "The atmosphere is difficult, largely because of the campaign of disinformation and lies that the Soviet Union is running..."

Gen Rene Vidal, state of emergency zonal chief of the metropolitan area, after the latest protest: "A boycott against Chile, the golden dream of the Soviet Marxists, has never been successfully organized..."

Are the activities of "Soviet communism" to which the Chilean Government constantly refers fact or fiction? What is the real scope of Soviet power in the world? The questions are many because the facts are few, in spite of the flood of news.

ERCILLA decided to dispel some doubts by conversing with Juraj Domic, a Sovietologist, professor at the Political Science Institute of the University of Chile and, until recently, political adviser to the planning bureau of the Foreign Relations Ministry.

#### The Local Communist Party (PC) Decides in Chile

[Question] What are the basic tools that Soviet propaganda uses to achieve world domination?

[Answer] Soviet foreign policy has the same features as the policies of any domestic Communist Party. It is a global, permanent, comprehensive (using diplomatic, military, economic, political and psychological means and secret warfare) and irreconcilable policy. Soviet policy divides the world and nations into two camps: the communists and the noncommunists.

[Question] Does the fact that Soviet foreign policy is the same as the policy of all Communist parties in the world mean that, contrary to what people believe, the Soviet Union's tactics are not unique?

[Answer] That's right. The policy of all Communist parties is based on the class struggle, and the three elements that they use, both domestically and internationally, are economics, politics and ideology. The economic tactics that the Communist Party uses in Chile, for example, are to secure housing through takeovers, etc. The political tactic is the entire system of alliances that a party might have, for example, the formation of the MDP, which is a PC umbrella, and its attempts to form a single opposition movement with Democratic Alliance. The ideological facet (or the psychological warfare) is the entire system of propaganda that the PC uses to win over followers, to neutralize enemies or as they say, "to win the hearts and minds of the majority." As you can see, this is the same thing that the Soviet Union does on the international level.

[Question] Isn't the Chilean PC a puppet of the Soviet PC?

[Answer] The word "puppet" is an exaggeration. The Chilean PC tries to comply with the guidelines of Soviet foreign policy in relation to its ambitions for world hegemony. But the Chilean PC is just another member of the international communist movement (ICM) run by the Soviet Union. Make no mistake about it: the Soviet PC does not dictate every last move of the Chilean PC, as some people claim. The Chilean PC does its own analyses of the domestic political situation and decides what to do, without, of course, going against the guidelines of the ICM.

[Question] In other words, there has not been direct Soviet involvement in the opposition demonstrations that have been organized over the past year in Chile?

[Answer] No. It has been the Chilean PC, with Soviet aid if they need it. Now then, there is direct action against us through the entire system of international psychological warfare, such as all of the radio broadcasts that the Soviet Union beams into our country and that cost it incredible amounts of money. This indicates that Chile is one of its immediate targets, inasmuch as no one spends money on something that is of no interest to him.

#### A Period of "Building up Strength"

[Question] Why have the Soviet Union and communists decided to discredit the Chilean Government as one of their major propaganda goals, since ours is a small country and there are many others that have similar regimes?

[Answer] Because the PC came to power here and under conditions (through democratic channels) that could have been repeated, especially in France and Italy, had it been successful. The Soviet Union now thinks that the revolutionary process can begin anew in Chile and has therefore unleashed this tremendous amount of aid for the Chilean PC. To this end it needs to remove certain obstacles, and one of them, of course, is the military government.

[Question] How?

[Answer] The tool that the PC thinks it can use to overthrow the military government is the "great political, national and general strike." But it is not ignoring the "military aspect" in the opposition movement either. This issue was taken up at a meeting of the Chilean PC's Central Committee during the first 2 weeks of January in Moscow, focusing on what they call "the party's military policy." There are even organized groups now that they call "self-defense groups."

[Question] How do they operate?

[Answer] In certain towns they are called "committees for the defense of democracy." They were originally designed to counter the Carabineros by setting prisoners free, throwing rocks at police and erecting barricades. A decision was made at the Moscow meeting to make these groups offensive, not just defensive...You can see the results in the terrorist activities of recent days.

The important thing is that to the communists the revolutionary process was interrupted only momentarily. That is what they call the "falling back of the revolution." And this period they call the "building up of strength" so that they can again take the offensive.

There is another international factor at work here. Chile is a sort of revolutionary subcenter for the Southern Cone, and for various reasons. For example, it has a more than 150-year old democratic tradition, and this gives it great political influence in the Southern Cone. "Che" Guevara wanted to make Bolivia, the geopolitical heart of the Americas, the center of subversion for the Southern Cone. He failed. Now it would be Chile, as Cuba is for Central America.

[Question] But why Chile and not Argentina or Peru, for example?

[Answer] Chile's political and labor movement is the strongest and the one with the longest and most solid tradition in the Southern Cone. Therefore, it represents a revolutionary potential.

"Without Revolution the USSR Dies"

[Question] What countries are really in the Soviet "sight"?

[Answer] The world is always in conflict, and the Soviet Union is on the lookout to utilize any development for its expansionary designs. It does not have a predetermined plan; it has an overall plan, which is to convince others that what it is advocating is beneficial. And if they do not go along willingly, it will use force. Now then, it is increasingly difficult for the Soviets to use force because in international terms this means nuclear war.

This is why we have to largely believe the Soviets when they say that they want peace. They are not in a position to unleash a war, inasmuch as the United States would launch its nuclear response, with the resulting worldwide holocaust. They feel that it is more rational and advantageous for each local PC to do its duty and make revolution.

[Question] So then, why is it demanding the withdrawal of the new medium-range missiles from Europe and, at the same time, deploying its own SS-20 medium-range nuclear missiles?

[Answer] For defense reasons. On the whole, a world of "international peace" suits the Soviet Union because it then has better conditions for the domestic class struggles. The Soviet PC can thus direct and aid the local PC's much better towards their goal of internal revolution.

[Question] Can the Soviet Union cease fomenting revolution in the world, or is it part and parcel of its doctrine?

[Answer] It is inherent to its doctrine. The day that it ceases to foment revolution, it dies. It ceases to be what it is: the center of the world revolution, which is the reason why Lenin created it.

[Question] What truth is there to the U.S. theory that Moscow, with Chernenko at the top, might take a softer line?

[Answer] That does not depend on the general secretary; it depends on the Politburo, the Soviet policy-making nucleus. The general secretary can impart a certain nuance to policy, but make no mistake about it, no matter who is on top, the overall policy is and always will be the same.

[Question] There have been reports, though, of a new program that Chernenko has to make the CPSU more realistic than the one established by Nikita Khrushchev in the 1960's.

[Answer] We must not take this seriously. It does not exist. This is an interpretation of Western analysts. The program of the CPSU is the same.

[Question] What did the Soviet Union mean when it said recently that it would tolerate political liberation in Eastern Europe? More "Prague springs"?

[Answer] It cannot talk of "liberation" because that would imply that the countries in the socialist community are enslaved. In its view, the nations of Eastern Europe are freer than they were before. What it most likely meant was that it is not going to allow Western "imperialist" meddling.

[Question] Do these new warnings, such as the recent one that its Armed Forces are capable of repelling any attack, make the Soviet Union a greater threat to world peace than before?

[Answer] If all of the serious developments in Poland did not destabilize world peace, then it is unlikely that similar events will take place in the immediate future. Much less right now, when nothing similar to what happened in Poland is in sight.

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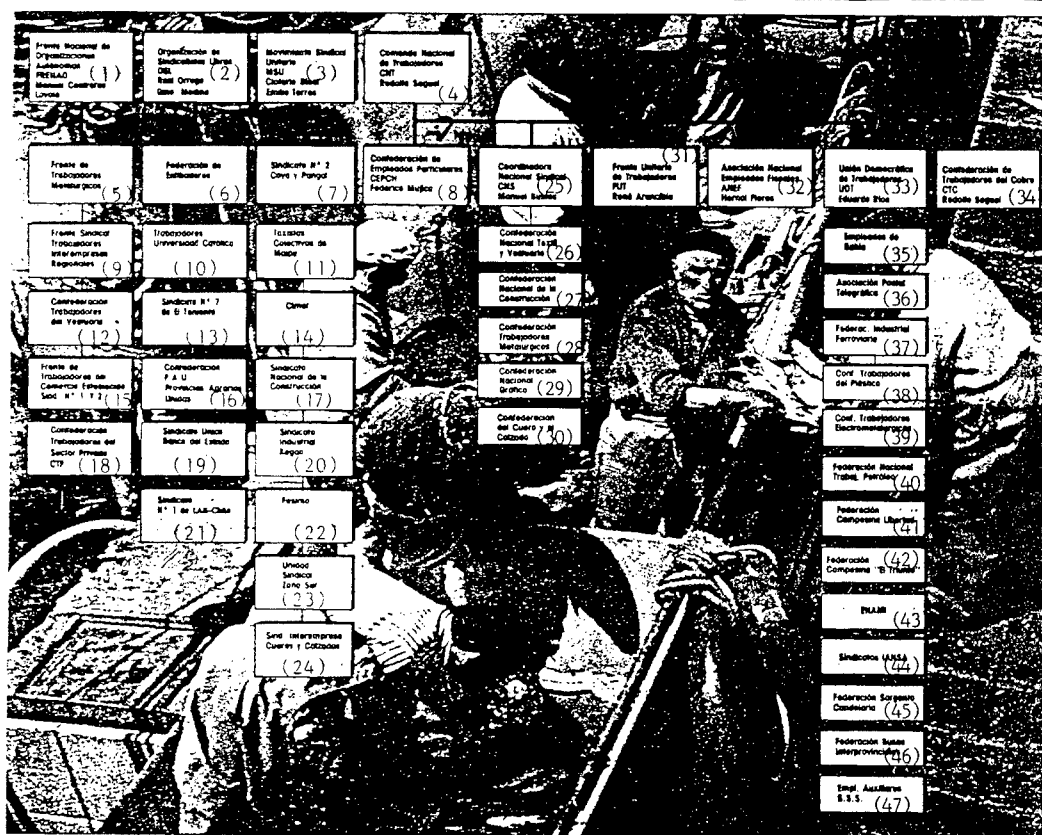
CSO: 3348/472

# CHILE

## ORGANIZATION OF LABOR UNIONS CHARTED

Santiago ERCILLA in Spanish 2 May 84 p 11

[Excerpt]



[Key on following page]

Key:

1. National Front of Autonomous Organizations
2. Organization of Free Unionists
3. Unitary Union Movement
4. National Command of Workers
5. Metalworkers Front
6. Longshoremen's Federation
7. Coya y Pangal Union No 2
8. Chilean Confederation of Private Sector Employees
9. Regional Inter-Enterprise Workers Union Front
10. Catholic University Workers
11. Maipu Collective Taxi Drivers
12. Garment Workers Confederation
13. El Teniente Union No 7
14. Cimet
15. Front of Established Business Workers, Unions No 1 and 2
16. United Agrarian Provinces Confederation
17. National Construction Union
18. Confederation of Private Sector Workers
19. Bank of the State Single Union
20. Kegan Industrial Union
21. LAN (National Airline)-Chile Union No 1
22. Fesima
23. Union Unity Southern Zone
24. Leather and Footwear Inter-Enterprise Union
25. National Union Coordinating Board
26. National Textile and Garment Confederation
27. National Construction Confederation
28. Metalworkers Confederation
29. National Graphics Confederation
30. Leather and Footwear Confederation
31. Sole Workers Front
32. National Association of Government Employees
33. Democratic Union of Workers
34. Confederation of Copper Workers
35. Bahia Employees
36. Post and Telegraph Association
37. Industrial Railway Federation
38. Confederation of Plastics Workers
39. Confederation of Electrometalworkers
40. National Federation of Petroleum Workers
41. Libertad Peasant Farmers Federation
42. El Triunfo Peasant Farmers Federation
43. National Mining Enterprise
44. National Sugar Industry Unions
45. Sergeant Candelaria Federation
46. Interprovincial Bus Drivers Federation
47. Social Security Service Auxiliary Workers

BETANCUR SUBMITS 15 SOCIAL JUSTICE REFORMS TO CONGRESS

Bogota EL TIEMPO in Spanish 11 Jul 84 pp 1-A, 6-A

[Text] Yesterday, while speaking at the swearing-in of the new ministers of government and finance, Jaime Castro and Roberto Junguito, President Belisario Betancur called for backing from the Congress, the political parties and the economic and social forces to devise and put into effect a program that will guarantee the country's "progress with social justice."

Betancur claimed that our institutional system must be reformed in order to gear it to the new realities, and to make it reflect the dynamism of social development.

He said: "The country needs an economy directed with a social criterion," while calling upon the Congress to make decisions on the various aspects which have by now been sufficiently analyzed and studied. He added: "What is needed now are decisions."

In a 14-page speech, which he read slowly in the presence of hundreds of friends of the two new ministers, he announced that he would give a renewed impetus to exports and special incentives to create new sources of employment, and would advocate a state and not government-run television system.

He confirmed that he would seek in Congress more curbs on public spending and on the financial system.

The president told the new officials that "it will be up to you to strive for a stronger democracy and to seek a more sound economic system."

He noted that Castro and Junguito "will soon be submitting to Congress bills aimed at intensifying the process of peace and putting the economy in order, particularly with regard to curbing public spending." He added that the legislature which opens on 20 July "will be an historic legislature, with great concern for the country."

He remarked that the action would be directed "toward putting the country on the course toward greater progress with social justice, backed by the political, economic and social forces," adding that party reforms are not viable.

The legislative platform proposed by the president at the ministers' swearing-in ceremony, which was very heavily attended, contains the following main features:

1. "Seeing to it that justice is administered and complied with promptly is something to which we have aspired since the republic was founded, and which has assumed greater force since we must battle effectively against varied, refined types of crime and organized crime."
2. "Achieving a modern, speedy, unbiased electoral organization, that will facilitate fulfillment of civic rights and obligations, that will offer full guarantees and that will afford timely, reliable results."
3. "Revising the work system of the chambers and the statute for congress members, in view of the fact that the so-called crisis in the Congress, which has affected parliamentary institutions all over the world, has not had a sufficient solution in Colombia."
4. "Seeing to it that the executive branch is properly inspected and monitored, in the fulfillment of its increasingly greater tasks, by the people's representatives."
5. "Strengthening, modernizing and developing our political system, extending the coverage, providing it with institutional mechanisms that will allow for and ensure, with certain guarantees for everyone, a peaceful formulation of, a response to and expression of dissatisfaction; in short, civilized democratic emulation."
6. "Legislating against the stifling centralism about which we all complain, but do little to remedy."
7. "The issue of education on all levels requires immediate attention, not only with regard to the university problems, but also the financing of the teaching profession."
8. "Meeting the growing demand for the citizens' participation in decision-making, management of public services and control of government activity."
9. "Meeting the demands associated with granting greater autonomy to the departments, fiscal, administrative and political bolstering of the municipalities and the institutional reappearance of the provinces, which will also serve to put into effect democratic values and principles on organization and the citizens' presence in public life."
10. "Making major regional and local reform: Law 14 of 1983 cannot be left as a single testimony to an effort that has not been continued, as occurred in 1968 with the fiscal situation and the municipalities' participation in the sales tax."

11. "The country is also waiting for our proposals and decisions regarding the organization and financing of public services, the effect of which on social life is becoming increasingly greater, for various reasons."
12. "We have not given up (why should we?) the intention of providing the country with a state and not government-run television system. The nation is also waiting for the chambers' decision on the respective bill."
13. "We have surmounted the 1982 financial crisis and have checked the disorder, but measures have not yet been adopted to lend permanent soundness to the system and to endow it with the confidence that the public demands."
14. "Agrarian reform is being given new and deep concern, inasmuch as peace is involved therein; the minister of agriculture has already conveyed to the political executives the criteria that have inspired us, and soon will submit the pertinent bills."
15. "Finally, without exhausting the issues, but so as not to make this list tiring, there is the matter pertaining to putting public finances on a sound footing and exercising effective control over government spending."

#### Development and Stability

President Betancur said: "There is no perfect political system in the world. Nevertheless, I do not consider it mistaken to claim that there is a close relationship between a strong democracy and a steady economic development."

He called attention to the fact that "only during a period of peace and political coexistence has the country been able to start developing its great economic potential."

The head of state upheld the legislative platform to attain progress with social justice, observing: "It is a fact that our brilliant, consistent, institutional system has not been geared in recent years to the new political, economic and cultural realities, but rather is proceeding with a lag, without reflecting the dynamism of social development."

He explained: "That lag in the institutional system has not enabled it to fully discharge its most important functions: to pave the way for social progress and improvement, to consolidate peace among Colombians, and to ensure the effectiveness of principles of equity in many community relations."

In President Betancur's view, "It is a well-known fact that, whereas the country's legal-political organization is not as smooth as the society would desire, long-standing and virtually traditional conflicts are becoming more acute and new explosive situations are causing difficulties that at times are almost insurmountable for the authorities and the political system itself."

He added: "The solution to both problems must have no respite, and their handling demands a response with instruments geared to the new realities which take the immediate future into account."

According to the president, there is no doubt that "all the foregoing has created for the state an obligation to carry on the serious task of institutional renewal and reorganization that the times demand."

He claimed: "Within the state, that task is essentially incumbent on the Congress, the center of constituent and legislative power and the natural stage of Colombian democracy."

Betancur expressed confidence that the reform would emerge from agreements rooted in the national conscience, and declared: "The government is national, and will continue to be such."

He remarked that the political group and the Congress have "the greatest responsibility to which one could aspire, namely, that of determining what is most beneficial at present for the Colombian society, with the opportunity to show all their patriotism, their calling and their public service by devoting themselves to the study and solution of the national problems."

He suggested that the nation's needs must have a response from the Congress, commenting: "Everything has been sufficiently analyzed, studied and processed, as the technicians say. What is needed now are decisions."

He emphasized: "The reforms devised and planned some time ago to surmount our political, economic and social ills are serving to consolidate the peace that we are eagerly seeking. When a national consensus, resulting from their painstaking preparation, has been achieved regarding them, only an act of foolishness could prompt us to turn our back on them, claiming that they are not good now because we have found in them an additional advantage, a greater benefit: acting as the legal arm of peace."

Betancur reiterated his government's battle against inflation as a fundamental element for improving the opportunities for general welfare, and the generation of employment, claiming that the gradual management of the exchange rate would be maintained, that there will be more incentives for exports, that the generation of job sources would benefit from special incentives and that work will continue on behalf of external backing for public and private enterprises, and for gaining useful foreign investments.

He said: "The fiscal deficit conspires against price stability and against balance in exchange, preventing private enterprise from finding sufficient credit with which to cooperate in economic reactivation, as is required."

To cope with this problem, the 10 percent cut in public spending will be intensified, and fiscal balance will be sought, with the backing of the Congress.

The governing official mentioned an "economic and social" agreement, predicting that the initiatives of the new finance minister in the area of public

finances "will be examined as the basis of a national agreement, in the best interests of Colombia and of those who will succeed me."

He added: "In the search for peace, which already appears very close on the horizon of the desires of Colombians and on that of real expectations, it has been a critical factor."

With regard to the positive results of the economic policy during his first 2 years of government, he remarked: "I am not singing an optimistic anthem. The challenge is great in the political, economic and social areas; but a mature, thoughtful public opinion realizes this, and it will know how to thank those, such as Gutierrez Castro and Gomez Gomez, who manage to make the necessary decisions on time and forcefully."

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FURTHER DECLINE IN FOREIGN RESERVES REPORTED IN JUNE

Bogota EL TIEMPO in Spanish 11 Jul 84 pp 1-A, 10-B

[Text] According to a report from the Bank of the Republic, Colombia's international reserves had fallen to the level of \$2.124 billion as of 15 June of this year.

The net reduction in its assets thus far this year was \$1.051 billion.

During the same period, the reimbursements for exports of non-traditional items showed an increase of 21.3 percent, totaling \$483.9 million; a trend that has predominated throughout the first half.

In its latest report on the performance of the exchange balance, the bank's Economic Research Department notes that, as of 15 June, the standard revenue showed a decline of 14.2 percent, when the \$1.6264 billion figure for June 1983 is compared with this year's \$1.4235 billion.

The amount of reimbursement for exports totals \$1.0831 billion, with a 6.2 percent decline, an index brought about by the reduction in reimbursements for coffee sales, which, with their \$539.2 million figure, show a drop of 27.6 percent.

Non-traditional exports rose from 398.6 to 483.9 percent, with a 21.3 percent increase; while the income for oil capital shows a drop of 8 percent, declining from \$42.8 to \$39.6 million.

Gold sales by the Bank of the Republic increased 10.9 percent, with a total of \$99.2 million. The standard outlays of dollars show a decline of 0.9 percent. In this item, imports of goods amount to \$1.4499 billion, representing a 3.1 percent increment during the course of this year.

Also increasing was the turnover for purchases of petroleum for refining and natural gas, by 9.7 percent, totaling \$174.7 million; and spending on services and transfers declined by 9.7 percent, totaling \$852.1 million; whereas the revenue for the same items indicates a sharp reduction of 55.6 percent, with a total of \$261.6 million.

2909

CSO: 3348/486

PUBLIC EXPENDITURES TO RISE 30 PERCENT IN 1984

Bogota EL ESPECTADOR in Spanish 4 Jul 84 p 10-A

[Text] The rate of increase in public spending this year will total 30 percent, despite the 10 percent reduction in the budgets of ministries and decentralized institutions ordered by the government, and at the expense of the increment in the foreign debt, the issuing agency and the sectors generating financial savings.

The foregoing statement was made by the comptroller general of the republic, Rodolfo Gonzalez Garcia, upon submitting the financial report for this May.

He pointed out that, "At the same time, the overestimate in the budget regarding the income tax associated with its real yield and the accumulation of unresolved structural deficits will bring about an increase in the National Treasury's negative balance."

Despite this situation, Mr Gonzalez Garcia claims that the fiscal situation is showing an improvement in the negative results caused by the imbalance between revenue and spending.

Income Taxes

"The yield from the income tax has not met the anticipated goals, and hence the expectations concerning the recovery of standard revenue during the present period are limited to the results of the establishment of the Value Added Tax (VAT)."

The comptroller reported that, when a comparison is made between the execution of the budget for income and capital resources, and the agreements on spending, the budget deficit from January to May amounted to \$26.526 billion.

The official reiterated the consequences that will result from the small amounts collected from income tax, since it is estimated that, this year, the volume of funds collected in 1983 will be doubled.

"Now that the period for declaring the tax incurred last year and attributable to the budgetary revenue for 1984 has expired, the yield is 54.2 percent of

the estimated amount. If one considers the fact that, during the next few months, it can only be increased by means of the so-called untimely declarations, through a report of supplementary and definitive information up until May, the deficit nature of the product of the tax for 1984 has ended," he remarked.

#### Deficit in Operations

Mr Gonzalez Garcia stated that the difficult budget situation originated in the deficit in effective operations of the National Treasury, which is represented by the difference between the effective expenditures and the regular cash resources.

He indicated that, as of May, that negative balance had increased 72 percent in comparison with the figure for the same date last year.

He claimed that the mechanism of the national savings bonds has been the main source for reducing the deficit in effective operations, financing 33 percent of it.

He disclosed that the foreign credit which on other occasions has been a traditional source of financing did not contribute funds other than the \$14.615 billion which entered the treasury in March, a sum associated with the monetized portion of the loan from the Chemikal Bank; because the rest was allocated for payment to foreign suppliers.

As of 31 May, the government's revenue registered a total of \$210.261 billion, as a result of an execution of 43.5 percent in comprison with the estimate.

The income tax collections accounted for 28 percent of the standard revenue, and 22 percent of the total income, which indicates that it has been one of the backers of the government's spending.

A total of \$16.956 billion was collected from customs and surcharge levies, with a 15 percent increase, as a result of the restrictions on imports imposed by the executive branch.

The special exchange account disclosed a declining performance, and its balance increased during May owing to the decline in outlays, due mainly to the reduced repurchase of exchangeable securities and the increase in profits from gold sales.

The budget for operational expenses shows an execution of 36.7 percent as of the end of May. The ministries with the greatest amoung of spending were those of national education and defense and, in addition, the National Police.

2909

CSO: 3348/486

## COLOMBIA

### VALUE OF JUNE COFFEE EXPORTS TOTALS \$210 MILLION

Bogota EL ESPECTADOR in Spanish 5 Jul 84 p 2

[Text] The National Federation of Coffee Growers has announced that, during June, 1.2 million 60-kilogram bags were exported with a value of \$210 million, leaving the country up to date in its shipments for the three quarters of the current coffee year.

Moreover, the editorial in the Economic Memorandum of the Bermudez and Valenzuela Fiduciary Association states that, during the coffee year 1984-85, which starts in October of this year, 11 million bags will be exported, with a value of nearly \$2 billion.

The country's top-ranking coffee authority claimed that, owing to the rainfall in the Buenaventura area, it was impossible to ship an additional 900,000 bags which were ready in port, during June, but that they left during the first 4 days of July.

#### Current Situation

The Economic Memorandum notes, with regard to the present situation in the coffee sector, that the real value of the exports of the bean, that is, when the price index for imports is deflated, declined starting in the final quarter of 1980.

It adds that, when the foregoing is compounded by the accumulation of coffee stocks in warehouses and ports, enormous problems, both internal and external, have been created.

"On the one hand, the National Coffee Fund has incurred very high financial costs, estimated at \$23.5 million, resulting from the sale of appreciable coffee certificates; and, on the other, the decline in the real value of exports has created an additional exacerbation of the exchange problem, inasmuch as there is no alternate source for generating foreign exchange over the short term."

## Increase in Quota

The Economic Memorandum editorial notes that, in view of the foregoing conditions, the only remaining option is to wait for an increase in the basic export quota for the next coffee year.

It stresses that, if a quota of as much as 60 million bags is set, it will be incumbent on Colombia to export a volume of nearly 9.7 million bags, a figure 1.3 million more than the quota in effect up until September, to which must be added the 700,000 bags sold to countries which are not members of the International Coffee Organization.

It observed: "With the preceding data, the export figure would be close to 10.4 million and, if there should be no restrictions on the quotas, and if the price is kept at its current level, our country could export 11 million bags; which would bring it revenue amounting to \$2 billion."

2909

CSO: 3348/486

## BRIEFS

COST OF LIVING DATA--The National Department of Statistics has disclosed that the consumer price index for June amounted to 1.61 percent, making the cost of living during the first 6 months of 1984 total 9.88 percent. The figure shown during the first half is obviously lower than that recorded for the past 4 years; since between January and June 1980 it was 14.82 percent, a year later it increased to 16.58 percent, in 1982 it declined to 14.58 percent and in 1983 it totaled 11.28 percent. For the period between June 1983 and June 1984, the variation was 15.7 percent, in contrast to 20.46 percent between June 1982 and June 1983, representing a decline in the inflation rate. The price index of 1.61 percent shown for June received a contribution from the medium income or employed level, with 1.41 percent, whereas that from the low income had a 1.68 percent share. Based on cities, the greatest increments occurred in Cali, Bogota, Baranquilla and Manizales, respectively. The consumer price index for a month gages the variations in the price of the items comprising the family market basket in comparison with the prices of those same goods the month before. [Excerpt] [Bogota EL ESPECTADOR in Spanish 6 Jul 84 p 11-A] 2909

CSO: 3348/486

FOREIGN EXCHANGE AGREEMENT BETWEEN BANK, EXPORTERS NOTED

Santo Domingo LISTIN DIARIO in Spanish 15 Jun 84 p 1C

[Text] The Dominican Center for Export Development, the Dominican Association of Exporters, and the Central Bank announced yesterday that they had arrived at an agreement with respect to the surrendering of foreign exchange.

The Central Bank publicized the agreement through the following communique:

To the Exporting Class in General

The Dominican Center for Export Development (CEDOPEX), the Dominican Association of Exporters (ADOEXPO), and the Central Bank of the Dominican Republic ratify through this means that the resolutions in force decree that all exporters must surrender all the foreign exchange generated by each exportation to the commercial bank through which the operation was carried out, in the following manner:

a) Traditional Exporters: Traditional exporters (sugar, coffee, cocoa, tobacco, and dore) will surrender foreign exchange to the commercial bank concerned and will receive the incentive established according to the First Resolution of the Monetary Board on 17 April 1984, i.e. DR\$0.48 per dollar. The commercial bank, in compliance with the Law No 251, will deposit said foreign exchange in the Central Bank within a period of 48 hours.

b) Nontraditional Exporters: All exporters of nontraditional products should comply with the requirements established by Law No 69, in order to opt for the exchange incentives and the temporary holding system.

The procedure concerning the foreign exchange is the following:

i) Products which receive less than 85 percent incentive: Surrender all foreign exchange to the commercial bank concerned. The bank will change the incentive percent at the current free market rate, and the remainder (non-incentive percent) at official parity according to what has been established by Law No 251. The commercial bank will send the amount of foreign exchange corresponding to the nonincentive percentage to the Central Bank using form B-4.

ii) Products which receive 85 percent incentive: Surrender all of the foreign exchange to the commercial bank concerned. The bank will change 85 percent of it at the current free market rate and the remaining 15 percent at official parity, according to what has been established by Law No 251. The commercial bank will send the amount of foreign exchange corresponding to the 15 percent to the Central Bank using form B-4.

iii) Products which receive 100 percent incentive: Surrender all foreign exchange to the commercial bank concerned. The bank will change 100 percent of it at the current free market rate. The commercial bank will send form B-4 to the Central Bank, proving that the foreign exchange has entered the country.

In order to change the earnings in the commercial bank, the nontraditional exporters should comply with the minimum price resolutions set by CEDOPEX and apply in writing for certification of the corresponding exchange incentive.

Violations of the resolutions established by the laws and resolutions of the Monetary Board and CEDOPEX will be sanctioned in the manner established by the resolutions of Law No 251 and its modifications, with the temporary or definitive suspension of the export license.

CSO: 3248/705

DCG LEADER ON VOTING, ASSEMBLY PRESIDENCY

Guatemala City PRENSA LIBRE in Spanish 4 Jul 84 pp 6, 31

[Text] Yesterday, Deputy-elect Roberto Carpio Nicolle, who heads the Guatemalan Christian Democratic Party ticket on the national level, remarked that null votes have several connotations.

Roberto Carpio is one of the founders of the Guatemalan Christian Democratic Party and, in the previous campaign, ran as his party's candidate for vice president of the republic.

He added that the first connotation of null votes is the voter's mistake in connection with the forms; because the system was changed to two forms, of very small size. He claimed that this caused major errors when it was time to vote. The second connotation is, to a lesser extent, that of individuals dissatisfied for various reasons, who deliberately cancel their vote by marking it poorly. And, as a third connotation (he said), there are those opposed to the system, who are the fewest. But the large number of null votes by no means detracts merit from the electoral process that has just taken place.

Roberto Carpio Nicolle, who engaged in an intensive campaign, house by house, in the southwestern part of the country, headed his party's national ticket; and, according to information provided yesterday by the Supreme Electoral Court, the national ticket in most instances exceeded the number of votes won by the district tickets.

In response to a question as to whether he thinks he might be elected president of the National Constituent Assembly, Carpio Nicolle said "probably," directly associated with the election results and his status as head of the national ticket, claiming that it is quite likely that he will be the logical candidate for that post.

With regard to his chances of being a candidate for president of the republic in the 1985 elections, Carpio Nicolle replied, "there are none," because the candidate is appointed by the party, and that candidate is already Vinicio Cerezo Arevalo. He added that, with today's victory, the candidacy of Cerezo Arevalo has been affirmed more, and it shows him as the almost certain winner of the 1985 elections.

Returning to the topic of the presidency of the Assembly, Roberto Carpio said that, to win that position, it will be necessary to arrange alliances with other parties.

When asked which those parties would be, he answered that this has not been determined yet and that temporary alliances and complete alliances might be agreed upon; adding: "But we have a great deal of affinity with the Reformist National Party (PNR), Alejandro Maldonado Aguirre and the Revolutionary Party (PR)."

"And what about UCN [National Civic Union]?"

He replied: "That is also likely, because the Constituent Assembly is a pluralist associative body."

With regard to the national ticket that he headed, Carpio Nicolle said that, in view of the massive vote on the national level, DC is already sure of six deputies, including him. The other five are Dr Carlos Armando Soto, a well-known cardiologist; Alfonso Alonso, son of the former foreign minister of the same name; Prof Aida Rodriguez; Francisco Lopez Vidaurre, member of the party's national board of directors; and Roberto Valle Valdizon, an attorney and notary. Alfonso Cabrera Hidalgo and Catalina Soberanis have arrived, representing the capital. The subject of our interview said that his party would obtain between 25 and 27 deputies.

Salvadoran Aid?

As to whether the Guatemalan DC has received economic aid from the Salvadoran DC, Carpio responded:

"No, our entire political campaign was financed with personal contributions from the party's sympathizers. As is evident, it was an extremely poor, but very ingenious campaign. The lack of money was offset largely by the direct contact with the voters, shaking hands all over the country."

Carpio Nicolle also denied that his party had received assistance from the Christian Democratic Union Party of the Federal Republic of Germany.

Carpio explained that, under those conditions, the victory was due to the personal drive of its leaders, in addition to the Christian Democratic tradition of the people of Guatemala.

The comment was made: "When the Christian Democrats are in the opposition, they make democratic, popular proposals, but when they come to power they sometimes turn into an almost right-wing party. What will happen with the DC of Guatemala?"

He replied: "We are by nature democratic; we shall comply with the laws of the country and, of course, with the Constitution, which we shall promulgate."

We shall see to it that there is respect for individual and social human rights. We shall eliminate corruption and abuse of authority."

"What will you do with the death squads that are operating in this country?"

"We shall dismantle them immediately, so that the population may enjoy social peace and live under a regime of law."

"What will the position of a Christian Democratic government be with respect to the military?"

Carpio Nicolle answered: "The military must understand that governing and administering a country are eminently civilian functions inherent in politicians. In democratic governments, the Army on the other hand has a very clearcut, specific function: to defend the territorial integrity and sovereignty of the country when it finds itself threatened from abroad."

#### Communists and Socialists

"In your capacity as a deputy, will you promote genuine pluralism, or will you allow the discrimination to continue against groups such as the Communists and Socialists?"

"The democracy that we advocate is pluralistic and all movements which abide by the laws and the Constitution must be represented. The right of political association must be clearly expressed as a right of Guatemalans to express themselves politically, except for the limits set by the democracy itself."

#### Time of the Assembly

"Have you considered a limit, in time, on the existence of the National Constituent Assembly?"

"We shall make a Constitution for the present time in which we are living and, at the same time, with a clearcut view toward the future, so that it will be stable."

"But for how long?"

"The Constitution and the other laws could be completed sometime this year, in from 5 to 6 months, so that at the beginning of 1985 general elections could be called."

2909

CSO: 3248/710

REASONS FOR HIGH NULL VOTE COUNT ANALYZED

Guatemala City LA RAZON in Spanish 3 Jul 84 p 5

[Text] The marked number of null votes, which has caused surprise in political circles and among some officials of the Supreme Electoral Court, could be interpreted as "overt, legal" repudiation from a considerable sector of the citizenry for the election process; something that brings up several hypotheses.

In the first place, it might be said that this high degree of nullity in the votes was evidence of the lack of credibility and confidence of a large percentage of the citizens, both in the political groups and in the very promoter of the return to constitutionality, that is, the regime.

Secondly, it could be categorized as a result of work by an organization which, protected by clandestine status, managed to discredit the process and "conscientize" the residents to make their votes null, so as thereby to display not only their rejection, but their protest as well.

A third hypothesis to be suggested would be that the attendance to vote null occurred "merely because it was a requirement." In other words, the citizens may have attended only so as not to become involved in problems, "because it was an obligation."

As a fourth hypothesis, we could point out the fact that, in this just completed election process, not all the political-ideological forces were present. As the Democratic Socialist Party noted, there was no authentic leftist alternative that would have capitalized on those votes which are now counted as null.

Hence, any organization could, at its political discretion, cite "reasons" for which so many null votes were cast.

The news media were told by a newly elected female deputy to the National Constituent Assembly that the high percentage of null votes "should evoke our concern," and at the same time she suggested as a possible solution, so as to avoid its repetition in the general elections scheduled for 1985, a greater emphasis on the need to encourage the citizens' participation.

Obviously, the nullity of votes is an overt blow to the aspirations of the political organizations, because it proves that none of them was able to convince that large conglomerate of voters. A similar statement could be made with respect to the military regime itself.

It must also be admitted that to claim that this large number of null votes was a result of ignorance would cause discreditation; because that is, without further grounds, attributing a failing to the voter because of another ineffectiveness of the methods used to call upon him to participate, and the lack of ability among the politicians to convincingly explain to him how he should vote.

2909

CSO: 3248/710

## BRIEF

REFUGEES RETURN FROM MEXICO--La Mesilla, Huehuetenango, 5 July 1984--Twenty families who had remained as refugees in Mexico for a period of 2 years and 3 months returned to their homeland, and were received at this border by officers of the National Army, who immediately moved them to the area set up in the departmental capital, so that the medical personnel might examine them and ascertain the state of their health. These individuals, who number 83, told reporters from various media that they had been living in the village of Xejbal del Quiche, but that when they found themselves affected by violence, they opted to seek refuge in the settlements located in the vicinity of the Mexican border, so as to keep away from the groups that had been threatening them for some time. The turnover of these refugees was handled by Mr Piar Miadriado, a high commissioner of the United Nations stationed in Mexico, as well as personnel from the Mexican Secretariat of Government, who conducted the negotiations with the Guatemalan consular authorities, so that they would be received and not bothered. This was offered by those who were to receive them, noting that, for purposes of amnesty, they would be given their respective documents. Once the completion of the paper work has ended, and any medical treatment that any of these persons may require has been given, they will be located in their respective communities, if they so desire. And, if not, they would be settled in one of the model towns established in the locations affected by violence. [Text] [Guatemala City EL GRAFICO in Spanish 6 Jul 84 p 5] 2909

CSO: 3248/710

# IMPROVED FOOD DISTRIBUTION SYSTEM INTRODUCED

Georgetown GUYANA CHRONICLE in English 13 Jun 84 p 8

[Text]

**MINISTER Malcolm Corrica** said yesterday that the Ministry of Trade and Consumer Protection has introduced a new and improved distribution food system. He added that the new system is operating in a number of districts already.

Cde. Corrica also disclosed that he intends to meet with officials of the Guyana Agricultural and General Workers' Union shortly to discuss the system with a view to examining suggestions from the Union.

The Minister was commenting on a Press release from the GAWU which said

that new arrangements implemented were never discussed with the union and that the union is of the view that the People's Co-operative Units were "a new guise to put more pressure on its membership."

## HARDSHIP

The union complained of hardship being experienced by workers in some areas.

Cde. Corrica said that the new system will allow people in every part of the country to get their supply of basic food items without discrimination.

The Minister pointed out that there are workers on all the committees which have so far been set up in the new system but the People's

Co-operative Units will inform the Ministry of any problems.

At present the system is working at Peter's Hall, Providence, Supply, Mocha, Grove, along the East Bank, Demerara and Timehri, Long Creek, Silver Hill, Kuru Kururu and Madewini along the Soesdyke-Linden highway. The system will be introduced at Diamond, Covent Garden and Soesdyke on the East Bank, Demerara and at Bagotsville, West Bank, Demerara.

He said that the Chairman of Region Four is also working along with the Ministry to introduce the new system in that Region.

CSO: 3298/973

## BRIEFS

GNS PUBLICATION--The Guyana National Service is now producing a new publication entitled "News-in-Brief". The publication is to be a monthly one. May's issue of "News-in-Brief" gave details about plans for the tenth anniversary celebration of the GNS. A committee, appointed to co-ordinate the celebrations, has stated that these will begin with an Anniversary Service on September 30, the publication noted. Anniversary day, October 1, will be highlighted by the opening of an exhibition of art, craft and other produce from GNS divisions and Centres. A presentation function of medals and awards will also be held. Other activities for the week include a cocktail reception, a parade and Route March and an "all ranks" dance. Some GNS officers will also receive State Commissions. [Text] [Georgetown GUYANA CHRONICLE in English 15 Jun 84 p 4]

CSO: 3298/973

## HONDURAS

### BRIEFS

NEW AMBASSADORS APPOINTED--The Honduran Government has appointed Nadine Lefevre Lebro as its ambassador to Ecuador and Eugenio Castro Claramont as its ambassador to the Dominican Republic, Haiti and Jamaica. [PA231528 Tegucigalpa EL HERALDO in Spanish 22 Jun 84 PA]

SALARY REDUCTION FOR DEPUTIES--On 26 June deputies of the National Congress approved a resolution to reduce their salaries by 10 percent as a contribution toward solving the country's economic situation. The measure takes effect in July and will continue throughout the year. Each deputy will donate 500 lempiras a month for a total contribution by the Congress of 41,000 lempiras a month or 246,000 for the rest of the year. [PA281309 Tegucigalpa Cadena Audio Video Spanish 1145 GMT 27 Jun 84 PA]

CSO: 3248/708

AGREEMENT SIGNED WITH ISRAEL TO AVOID DOUBLE TAXATION

Kingston THE DAILY GLEANER in English 2 Jul 84 p 3

[Excerpt]

**JAMAICA AND ISRAEL ON FRIDAY SIGNED an agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income.**

The double taxation agreement was signed at Jamaica House by the Prime Minister, the Rt. Hon. Edward Seaga, and the Israeli Ambassador to Jamaica, His Excellency, Mr. Shlomo Levy.

Under the agreement an Israeli company operating through a permanent establishment in Jamaica becomes taxable in Jamaica to the extent where profits are attributable to the permanent establishment here.

Special rules are made for facilitating and withholding tax in relation to the payment of dividends by Jamaican residents and vice versa. The rate of tax will be 15% of the gross amount, if the beneficiary is a company which holds 10% of the voting power of the company paying the dividends; and, 22.5% of the gross amount of the dividend in all other areas.

The agreement provides for institutions like the Bank of Jamaica, the Jamaica Development Bank, the Jamaica Mortgage Bank and the Bank of Israel, to be exempted from tax by both states although the exemption will not cause the loan to be treated as a preferred loan according to the Israeli Income Tax Law.

It says that where a resident of Israel derives income which is taxed in Jamaica, Israel shall deduct from the Israeli tax of that person, an amount equivalent to the tax paid in Jamaica. the same situation obtains in Jamaica.

It allows for 'tax paring' by allowing a credit to be given in respect of taxes which would have been paid but for an exemption or a reduction of tax due to incentive legislation. This is particularly important when dealing with the incentive industries.

In a brief statement at the signing, Prime Minister Seaga said the treaty had become necessary because of expanding relationships, particularly in the field of agriculture and agro-industry between the two countries and recognising the need for closer co-operation.

## UTILITIES BACK TO NORMAL BUT FACE CASH SHORTAGE

## Hitches to Work Resumption

Kingston THE DAILY GLEANER in English 22 Jun 84 pp 1, 3

[Text]

**T**HE SCHEDULED work resumption of public utility workers back-fired shortly after midday yesterday when a hitch developed over the return of Water Commission employees.

The four utilities — light, water, telephone and telecommunications, — had been hit by strike action since Tuesday. Workers at all four utilities went back to work between Wednesday night and yesterday morning, but went back out shortly after noon, when it was reported that the workers at the National Water Commission were being allowed to resume only on a phased basis.

However, after the Commission issued a statement saying that those who had not resumed yesterday would be allowed to this morning, the workers at the other three utilities started going back to their jobs. Those at JAMINTEL went back yesterday, while those at the Jamaica Public Service Company and the Jamaica Telephone Company are expected to resume by this morning.

Yesterday afternoon several of the workers from the JPSCo invaded the company's head office in New Kingston and, according to a source at the company, they physically assaulted the company's financial controller, Mr. I.R. Leveritt, an Englishman.

Mr. Leveritt is said to have been punched and kicked by the workers and told that he should not be there, and that the money he was being paid was contributing to the company's inability to pay the workers more.

Mr. Leveritt has been with the company for some months now. The matter was reported to the Police who are investigating.

Shortly after 5 p.m. it was also reported that the tyres of a car

belonging to the company's public relations Manager, Mr. Leslie Bennett, a Jamaican, was slashed and he was threatened by a mob of JPSCo workers who were still outside the head office.

The Union of Technical, Administrative and Supervisory Personnel (UTASP), whose members were not involved in the strike, reported to Minister of Public Utilities and Transport, the Hon. Pearnel Charles yesterday that one of its members, a supervisor at the Old Harbour station in St. Catherine, Mr. Abe Bailey, had been assaulted by one of the soldiers guarding the station on Tuesday night.

According to a UTASP spokesman, Mr. Bailey had just completed 16 hours work and was leaving the station for a bus which transported the workers, when he was assaulted by the soldier.

The Gleaner understands however, that the soldier had mistaken Mr. Bailey for one of several persons who were trying to bar the supervisors and engineers from leaving the

station. The union has demanded an investigation into the incident.

Otherwise, the strike was peaceful and none of the utility services were seriously disrupted.

The JPSCo said that power cuts experienced yesterday in the Corporate Area had nothing to do with the strike, and that a power cut which affected the Armada Apartments in Portmore on Wednesday was due to a fire which developed on a pole in the area.

The telephone service suffered mainly from a lack of operators to man international calls, and JAMINTEL's cablegram service was completely knocked out by a shortage of dispatchers, while its telex services worked on and off.

JAMINTEL staffers who were involved in the strike started returning to work on Wednesday night. They were followed by those at the JPSCo and the JTCO yesterday morning. But at the NWC, the workers refused to resume when they were informed by the management that their resumption would have to be on a phased basis.

At noon, the Public Utilities Delegates Council, which led the strike, instructed the workers at the other three utilities to resume their strike action in protest against the NWC's action.

The BITU also protested by sending a telegram to the chairman of the Commission, Mr. Cecil Charlton, stating that it was protesting against a [words illegible].  
[words illegible].

The Ministry of Labour entered the picture, and after private discussions with the representatives of the unions representing the workers, it was decided that the NWC would issue a statement requesting the other workers to resume this morning. The unions decided to instruct a resumption at the four utilities.

The following statement was issued by the NWC yesterday:

"The National Water Commission has announced that resumption of work by those employees who had withdrawn their services in an industrial demonstration on Tuesday 19th and Wednesday 20th of June was being carried out on a phased basis from Thursday 21st to Friday 22nd of June.

"All members of staff who resume duties today and are at work will continue to work as pre-arranged. All remaining workers are invited to resume duties at their respective locations at the regular time for commencement of work tomorrow, Friday June 22nd".

NWU Assistant Island Supervisor, Mr. Clive Dobson, said that the union instructed the workers to resume strike action yesterday because it interpreted the NWC's action yesterday as a "lock-out" and an act of victimization.

Yesterday afternoon the JAMINTEL workers went back to work and the JPSCo and JTCO workers are expected to be back to normal by this morning. However, there was still a problem at the Knutsford Boulevard head office of the JPSCO [words illegible].

### Return to Normal

Kingston THE DAILY GLENAER in English 23 Jun 84 p 1

#### [Text]

Normality returned yesterday to all four public utilities which had been hit by strike action since Tuesday.

Spokesmen for these utilities —the Jamaica Public Service Company, the National Water Commission, the Jamaica Telephone Company and Jamintel — reported yesterday that the workers had resumed and things were back to normal.

The strike had been called by a Public Utilities Delegates Council led by the NWU, in protest against the pace of negotiations on improvements in pay and fringe benefits in that sector.

A new date is to be set for the conciliatory meeting involving the BITU and the NWU representing hourly-paid and clerical workers at the JPSCo and the management of the company at the Ministry of Labour. The meeting had been scheduled for last Thursday, when the parties were expected to report back to the Ministry on proposals made by the Ministry the week before towards settling the pay dispute.

The workers are seeking a \$150 per week pay rise and have already rejected a \$19 per week offer from the company.

The BITU wrote the management of the NWC on Wednesday rejecting an offer of \$15 from January 1, 1983 and a further \$15 per week effective from January 1, 1984, which had been made to the supervisory staff which the union represents.

The union said that claims had been outstanding since 1982 and that the workers involved had duties which carried a high degree of responsibility and dedication.

## Inability To Meet Wage Claims

Kingston THE DAILY GLEANER in English 28 Jun 84 pp 1, 3

[Text]

Most of the country's utilities have no ability to pay for wage claims totalling over \$200 million which are currently before the Ministry of the Public Service, the Minister of Social Security and the Public Service, the Hon. Errol Anderson said last night.

"For example, the Jamaica Telephone Company with a capital investment exceeding \$600 million will still owe the Government over \$30 million in taxes at the end of 1984," Mr. Anderson said as he spoke in the sectoral debate which closed in the House of Representatives last night.

"After taxes for the last financial year, the telephone company's profit of \$16 million is reduced to some \$4 million. This company also owes Jamintel some \$25 million.

"Water Commission is in worse straits as it requires substantial budgetary support in order to meet its obligations. The Water Commission owes the National Housing Trust and the National Insurance Scheme in excess of \$5 million and the Jamaica Public Service Company is in no healthy condition either. Jamaica Public Service Company's loss in 1982 was \$39 million."

Mr. Anderson said that the claims on behalf of the JPSCo workers totalled some \$67 million; the JTCo workers' some \$48 million; Jamintel's was some \$7 million; the Water Commission's was some \$78 million; and, the Jamaica Railway Corporation's some \$8 million.

"Most of these utilities have no ability to pay...in terms of ability to pay, utilities have no competence. I am quite aware of the mood at the work place at this time as the country painfully adjusts to approach the future with greater hope. But again, I ask the leadership, both at the work-place and the union headquarters, to operate in the realms of what is practical.

"In these circumstances the Ministry of the Public Service and the Ministry of Finance must take a direct interest in any wage settlements which impact or have the

potential of impact on the budget of the country."

He said that those who managed the utilities did so on behalf of the owners or major shareholders which, in the present circumstances, was the Government of Jamaica.

He said that the Ministries of the Public Service and Finance were two central Ministries of Government which must decide on resource availability, determine the national interest, state the national interest and also protect the public stake.

It was against all that that every utility, "parastatal" or government-owned undertaking must seek direction and guidance from those two Ministries. That was nothing new, as it had always been so and would remain so as long as there was responsible government.

"Free collective bargaining is neither impaired nor abused by the owners of undertakings or the people in whom ownership is vested, having a lively presence at the bargaining table or in the boardroom for that matter."

He said that it was desirable that labour and management should bargain explicitly about distribution of income in industries or firms. It was however, unacceptable that they should bargain without consideration of the public interest.

"Even when utilities are making super profits, or for that matter any Government firm, there would still be consideration of the public interest as there are opportunity costs which must be evaluated. The public interest equally involves lack of facilities: water, school, proper roads, drainage, light, post offices and other such amenities."

Mr. Anderson said that free collective bargaining was severely damaged and impaired when workers sought to circumvent the process by seeking to negotiate and make representation outside of the organised structure and leadership of the union movement.

Referring to the circumstances surrounding the recent strike at four public utilities, Mr. Anderson said: "A letter dated 7th June, 1984 was sent to my Ministry on behalf of the Joint Public Utilities Workers Council and copied to JALGO, JUPOPE, UTASP, BITU, NWU and TUC, requesting a policy declaration and threatening strike action if a reply was not made by 12th of June.

"Unfortunately, I was not in the island at the time, but even if I were, I have no intention to settle any collective agreement or to bargain outside the framework of the legitimate trade union organization on whose claims negotiations are proceeding.

"There are forces abroad who are aware of the structural changes being made to revitalise this country to make it better for the working class, for unemployment to be reduced, for inflation to be controlled and for foreign exchange to be available

to fuel the wheels of industry into productive expansion. They fear the tangible amelioration which these changes are programmed to bring to our people, which will render our social conditions more bearable.

"Some are actively seeking to atomise the union movement into fragments of so-called workers' councils with the inevitable result of negating the gains of collective bargaining and creating industrial chaos. The working class must be warned of *agents provocateurs* who seek to perpetuate the conditions of misery and poverty through which they hope to organise revolt against society.

"Prosperity is the basis for maintaining democracy. Poverty and misery are bases that can enhance the struggle for socialism. Our purpose is democracy; Our mission is to make this country free."

Mr. Anderson said that he intended to enlist the support of labour and management to enhance the imperatives of development and to accomplish what must be done to secure a rightful place in the sun for the dispossessed, forlorn and toiling masses.

"I intend to continue to support the right of all parties to free collective bargaining, and in particular to provide for regular exchange of views between the officially constituted leadership of organised labour."

CSO: 3298/976

## PNP RAISES ECONOMIC QUESTIONS, SETS FORTH OBJECTIVES

## Manley on Economic Strains

Kingston THE DAILY GLEANER in English 3 Jul 84 p 3

## [Text]

Questions as to whether the country would be prepared to bear the social strains occasioned by the sharp decline in the economy "in the face of a government which lacks moral legitimacy and moral authority", were raised by People's National Party leader, Mr. Michael Manley, as he addressed members of the Diplomatic Association, on Friday.

Occasion was the monthly luncheon of the Association, held on the patio of the Casa Monte Hotel.

Mr. Manley, who discussed his party's view of the present situation in the country, examined this from the economic and the political aspects. In his examination of the political situation, he said the country was under tremendous economic pressures "and there are large areas of the society that are generally hurting and going beyond that sub-strata of poverty and into that area where families are now finding it difficult to produce the money each weekend to purchase the necessities to "keep body and soul together."

The PNP leader, who had earlier spoken on "the government's calling of the last elections on the basis of electoral lists on which 20 per cent of the people could not have voted because they were not on the list and more than 10 per cent were dead, said that in a time of national crisis such as this, "we have a government whose moral legitimacy is not accepted by the people." This, he said, raised two issues: firstly, "if the government lacks moral legitimacy and moral authority, how does it mobilize the country for the major production efforts that are demanded in any crisis as big as ours? and, second, can you expect people to endure the social suffering?"

Mr. Manley said what the country needed was to restore moral and legitimate authority, "and this you can only do by having an election after the

identification cards (complete with photographs) are distributed. He repeated his oft-spoken call for the government to hold elections as soon as the ID cards were ready.

Of the economic situation, Mr. Manley said that during the last year of the PNP government, the country's balance of payments deficit was \$200 million. "That was about 10 per cent of GDP (Gross Domestic Product), and we were deeply worried about it." By comparison with that situation, the balance of payments deficit was now running at nearly \$600 million -- "or just over 30 per cent of the GDP."

At the same time, he said, the country's export earnings (including tourism, would be about \$680 million this year; its debt servicing would amount to about \$580 million; and its energy bill would be of the order of \$300 million. "Therefore", he went on, "you are either borrowing money for more than half of your energy which is just to turn the lights on or, you are borrowing money to pay the interest on your debts."

The fact, he said, was that Jamaica, which has a fragile economy, "was invited in 1981-82 to go on a consumer binge and as a result of that, you now arrive at this crisis with these alarming figures". The PNP, which, while in government, had imposed some controls, disagreed with that policy and it still disagreed, he said.

Referring to the agreement with the IMF, he said the country had been told so often that government was on the verge of passing the test, he believed the Prime Minister had an obligation to inform the country on three points: first, was there now an agreement; what was that agreement and, if there was an agreement, can we be advised when are we likely to get foreign exchange and if so, when can we draw a tranche?

Mr. Manley's address was followed by a lively discussion, during which the diplomats asked a number of questions, among which was one as to what did he consider to be good examples of a Third World economic model.

He cited Algeria as 'one with a measure of success'. Tanzania, as 'one which had run into problems involving a war, but was still trying' and Trinidad, as 'one which was making a fair attempt, but at which he would have to look again.'

He was introduced by the President of the association, Mr. Deepak Misra of the Indian High Commission.

A vote of thanks was moved by Dr. Santiago Chamorro of the Spanish Embassy.

### Plan for Governing

Kingston THE DAILY GLEANER in English 5 Jul 84 pp 1, 3

[Text]

People's involvement in programmes of policies of the Government will be the main thrust of the People's National Party in its next term of office, according to the PNP's President Mr. Michael Manley.

"What we would like to begin to work upon is a whole method of governing Jamaica that rest upon consultation, discussion, explanation and participation, Mr. Manley told a session of the PNP's People's Forum called to unveil the Party's social and economic plan at the Oceana Hotel on Monday.

A tremendous room existed for involving people in institutions and the communities in the planning process and the Party believed that that could only enrich the planning process which could only have the incalculable benefit of beginning to make people feel that they were partly responsible for the outcome, he said.

To pursue this objective, there would have to be a Ministry designed for this purpose, Mr. Manley said, adding that the Party would introduce a Ministry of Development and Information whose primary responsibility would be to begin to bring these paths together and get them to talk to each other, plan together and look at possibilities.

"It must not only plan what to do; it must begin to talk about how

to do it, what are the investment programmes, what are the methods; it must also have a mechanism to review. If it has to work, it has to work first of all because there is a Government that puts participation above arrogance."

Mr. Manley said that it was better to talk and benefit from the conversation than to shout and demand that everybody listened, noting that this was a concept born out of the Party's last eight years of experience in office and 3½ years of observation, "ending today."

The Party was also going to create a National Advisory Council on economic planning and implementation, consisting of the P.S.O.J., Trade Unions, the J.A.S. and other institutions, a body that would meet on a regular basis, share in state secrets to which its members would swear, and would propose plans whose ideas and consideration would be respected, he said.

Mr. Manley predicted that there would be rows, quarrels and delays; however, the Party was introducing it because it was part of a new concept of methodology.

The participatory model has got to be strengthened by the Community Councils and community-based organisations with a view to encouraging greater social responsibility and form the basis for a unit in the system where people ceased to be divided by their Party and other affiliations.

Comparing the PNP's style of leadership with the JLP's approach, Mr. Manley referred to the Duckenfield affair, saying: "In all of that is the

inescapable consequence of the arrogant and secretive way at which you arrive at decisions and solutions."

He said that this was really elitist, authoritarian Government "gone mad" as the little collective group disappear to give to "one-man Government", adding that the social consequences were that the Jamaican people at this time were frightened, there was tremendous insecurity in the country and bewildered in the sense that they did not know what to believe or understand.

Noting that Jamaica was in the deepest social and economic crisis in its history, Mr. Manley said that the crisis called for tremendous effort by the people if the country were to pull out of it but the Government was making it impossible for that response to be forthcoming.

This led to what he said was almost a kind of social paralysis born of the extremity of the crisis and the lack of involvement of the people in any possible solution.

It was against this background that the Party had looked at a set of objectives and methods, he said.

The first objective must be to find the means to increase production significantly and very rapidly in Jamaica; to find the means to correct the profound structural inadequacy and imbalances which still bedevilled the Jamaica economy as a result of our centuries of history; and to find ways of conserving and earn foreign exchange.

He said that a way must be found to begin a serious assault on unemployment; how to restore and develop our services; how to work towards economic self-sufficiency in the vital areas of food, clothing and shelter and finally, how to do this and simultaneously maintain a real forward march toward social justice.

"We do not believe that those things can be attained if we see them as goals in pure economic terms. We do not believe that those things can be achieved if the economic objectives are not part of a process of popular mobilisation and we do not believe that popular mobilisation can be achieved if you do not alter fundamentally," the PNP President said.

Mr. Manley told the Forum that the Party would exert the highest degree of management of the fiscal budget and there was no quarrel with that; neither was there any quarrel about the efforts to expand exports to the hard currency market.

As part of the short term objectives of the economic policy, the Party his Government would ensure that foreign exchange would be managed on the basis of conservation by management and that this commodity would be issued on a prioritised basis to deal with the essentials for development he said, observing that the present system of bidding created an internal injustice in the system.

Mr. Manley said that areas of internal production would be developed for the earning and conservation of foreign exchange as he declared "if you give the small farmer the positive support that he needs, he has the capacity to save you foreign exchange more rapidly."

There would also be the creation of an export estate particularly designed to bring together small businessmen in a variety of fields where there were export opportunities, who if brought together in one group a tremendous short run of tax source could be dramatically reduced.

Turning to the CARICOM Market, he said that the Party had looked at how the CARICOM Market had been allowed to slide and collapse; and the first objective would be to restore the basic components of that market. Joint venture operations would also be sought between regional businesses to build a regional economic base.

A mobilisation programme would be embarked on to effect repairs of schools and hospitals, Mr. Manley said and this would be a conscious part of the Party's policy.

"We want to work towards a social contract to ensure maximum co-operation and a minimum amount of conflict. Jamaica must find a way to conduct a national dialogue that will eventually begin to isolate points of agreement," he also said.

On the I.M.F., Mr. Manley said the Party intended to campaign for restructuring of the financial institution; however the position of the Party was that a discussion about the I.M.F. could not start with the I.M.F., it had to begin with what was the development strategy and how to earn foreign exchange.

Mr. Manley made the point that the economic and social policy was not a P.N.P. manifesto.

Chairman of the Party, Mr. P.J. Patterson told the Forum that discussions with the sectoral groups in the society would start this month and concluded in time for a report to the Party's annual conference in September. Mr. Manley would attend the first meeting with all the sectoral groups.

## UNCERTAINTY ABOUT FUTURE PLAGUES SMALL BUSINESSES

Kingston THE DAILY GLEANER in English 21 Jun 84 p 1

[Text]

The continued existence of the small business sector is uncertain, and members are calling upon Government to come up with a special plan to ensure its survival, 1st vice-president of the Small Businesses' Association of Jamaica (SBAJ), Mr. Ron Chisholm, said yesterday.

Addressing the Association's second monthly luncheon at the Shish Kebab Restaurant, he said a question was where was the 10-year-old body heading today and what about the other ten years ahead, and this was not easy to answer.

"It is especially difficult in light of the present economic difficulties that we face. We at the helm of the small business sector are presently uncertain about the very existence of this vital sector of the economy. Our concern is genuine and deep-rooted because we believe that no space, no reservation, no allowances, are being made in today's economy for small businesses to survive.

"With the continuing increase in the price of raw materials, increased taxation, increase in utility and operation costs, the devaluation of the Jamaican dollar, and the general increase in the price of most basic commodities, several of our members are being forced to close their doors. Others who have not yet done so are laying off workers while others are just a step away from bankruptcy."

Mr. Chisholm said that over the past 10 years, successive governments had been called upon by the SBAJ to assist the sector by devising a special plan to assist them.

The Association had drafted such a proposal and placed it before government, but to date no positive action had been taken about it.

He said in their efforts, small-business people needed the strong support of Government. They were again renewing their call on government to give them the kind of sup-

port they needed to achieve the growth the sector was capable of.

They would like to see Government implementing policies which gave support to increased productivity, to increased exports and foreign exchange earnings, and increased employment so they could help the country achieve the growth they all wanted.

CSO: 3298/975

## PARLIAMENT HEARS 10-POINT PLAN TO BROADEN RESTRUCTURING

Kingston THE DAILY GLEANER in English 29 Jun 84 p 3

## [Text]

A ten point "basket plan" to widen the Government's restructuring programme has been put forward for adoption by a member of the public, Mr. Peter Soares, in Parliament on Wednesday.

Mr. Soares who was the third member of the public to make a contribution before the bar of Parliament under the new Parliamentary order, said that the "basket plan" resulted from a series of studies covering 20 years of intense and applied research, dedicated to the people of Jamaica.

The plan covers such areas as culture, tourism, urban renewal, media industry, money, tourism, Agro industry and energy.

Mr. Soares said that the cultural, social and economic skills and assets needed to be expanded. He called on the churches to consider a "Basket Sunday" to be observed yearly so that

our people could spiritually be aware of the significance of the Jamaican basket in the Coat of Arms.

A crime rehabilitation fund should begin to put into plan in our society and be expanded because without the lessening of crime, no progress would be made.

The country's capital has got to be revived because it could bring economic benefit. Open air markets could offer opportunity for skills, he said. Many buildings in Kingston and St. Andrew could be expanded by two storey additions to benefit the aluminium industry, Mr. Soares told the House.

A communication television system under private enterprise was a necessity as it would open immense opportunity for employment and help to lift politics in the light of a new communication, and the educational spin off would

help to expand employment in that field.

On the International Monetary Fund he said: "The IMF could be termed the art of the impossible, partly because the programme tries to compress in too short a time what really calls for international credit. The Declaration of Independence by the U.S.A. in 1776 was based on a similar historical precedent. We need a marshall plan for the developing world, but the people themselves must contribute to such a fund.

"The days of the pawn-broking banking must come to an end, the need for a Central Dollar Bank and a Tax Bank are now needed to take the pressure from Budget financing."

He said that the tourist industry with 700,000 visitors represented the fact that a captive market existed right here in Jamaica for our products.

## IMPORT PROBLEMS BRING SHORTAGES IN BASIC FOOD ITEMS

Kingston THE DAILY GLEANER in English 23 Jun 84 p 1

[Text]

Shortages of rice and other basic food items should be eased in two to three weeks if shipments expected by the Jamaica Commodity Trading Company arrive as scheduled.

Consumers have been facing shortages of rice, chicken necks and backs and saltfish for some weeks mainly because the company, which supplies many basic items to major distributors, has not been able to import adequate supplies.

The JCTC has been unable to secure adequate quantities of rice and other items because of "foreign exchange problems," Mrs. Carole Walker, JCTC Public Relations Officer, told the *Gleaner*.

She said that rice would be made available to consumers before the second week in July, when a shipment of rice is expected to arrive under an ongoing U.S. food aid programme. Further, 1.9 million pounds of chicken necks and backs would be imported in early July while saltfish would be made available by August.

Meanwhile, rice, saltfish, chicken necks and backs, mackerel and some brands of cooking oil are absent from many supermarket shelves.

Some Kingston sidewalk vendors are selling rice and saltfish but requiring that consumers buy a certain amount of other goods in order to get these items.

"We have got about three different dates for rice," a Kingston supermarket chain executive said. He was referring to dates of expected rice shipment arrivals given by the JCTC.

"We haven't been able to get our needs (supplies of chicken necks and backs) for the longest while," he said, adding that these goods are "available on the street."

"We haven't got any saltfish in eight weeks. I don't think there is any in the island."

His answers were typical of those given by several Kingston store managers and shoppers.

Shoppers are also finding that margarine and boxed milk are in short supply, while granulated sugar and other hard-to-get items are available in a few supermarkets.

## SUGAR FACTORY STRIKERS EXHORTED TO GO BACK TO WORK

Kingston THE DAILY GLEANER in English 2 Jul 84 p 1

[Text]

**“RETURN TO WORK OR RISK LOSING** continuous employment and any redundancy payment being claimed,” the M.P. for Eastern St. Thomas, the Hon. Parnell Charles, Minister of Public Utilities and Transport, told Duckenfield Sugar Factory workers yesterday.

The factory, closed since Wednesday by a work stoppage, is located in Mr. Charles' constituency. He told the group of workers in Port Morant that they ran the risk of “losing the factory” by its prolonged closure. He endorsed the call of the Minister of Agriculture, Dr. Percival Broderick, that the workers return to their jobs as soon as possible.

The Duckenfield Sugar Factory was closed by workers demanding redundancy payment two days after the Minister of Agriculture announced a new management contract which would keep the factory open for a three-year period.

Mr. Charles said that if the factory was permanently closed because of the workers' action, they would not be entitled to any redundancy payment and they would have lost everything, including continuous employment.

At an informal meeting, he told workers that closing the factory might serve the “temporary interest of 800 workers” there, but would harm the future of 15,000 people in surrounding villages and the 500 cane-farmers who provided cane for the factory.

Already 1,000 tons of cane had been spoilt at the factory and in the field, he said. He asked the workers to consider the small farmers who had mortgaged their houses and lands to plant cane. He urged the workers to “guard against outsiders

who may exploit the misunderstanding of the people”.

Mr. Charles also told them that they should return to work while the unions took up their case. (The unions, the factory management and the Sugar Producers Federation are to meet tomorrow in an attempt to arrive at a work resumption formula.)

Sources at the factory told the **Gleaner** that the estimated production of 12,000 tons of sugar will not be reached and the factory would be “lucky to produce 9,000 tons by the end of the crop”. By producing 12,000 tons, a loss of \$4 million would be sustained this crop, and any lower production would result in a greater loss.

## BRIEFS

**CAPITAL DEVELOPMENT WITHDRAWAL**--The House of Representatives yesterday approved the withdrawal of \$90 million from the Capital Development Fund for payment into the Consolidated Fund. The amount represents the first withdrawal for the current financial year. The House also guaranteed a Canadian \$3.2 million suppliers credit from the Bombardier Incorporation of Montreal, Canada, which has been offered to the Jamaica Railway Corporation for improvements to Bombardier built locomotives used by the Corporation. The report of the Cocoa Industry Board for the period ending September, 1982 was tabled. The Hotels (Accommodation Tax) (Amendment) Resolution, 1984; the Provisional Collection of Tax (Education Tax) (Confirmation) Resolution, 1984; and, the Travel Tax (Amendment) Regulations, 1984, were also passed. [Excerpt] [Kingston THE DAILY GLEANER in English 27 Jun 84 p 1]

**SUGAR TO EEC**--Jamaica has supplied its European Economic Community (EEC) sugar quota of 125,000 long tons of sugar, out of its production--to date--of 169,204 tons. At the same time 8,000 tons of the United States quota of 29,000 tons has been supplied, and a further 6,000 tons will be supplied during the first week of July, and the balance by the end of September, Mr. Frank Downie, Secretary-Manager of the Sugar Industry Authority, told the FARMERS' WEEKLY on Thursday. Under the existing arrangements of the Lome Convention, Jamaica is allocated 118,300 metric tonnes (white value) which converts to approximately 125,000 long tons (raw value). This sugar has to be shipped to the Community during the year, which runs from July 1 of one year to June 30 of the following year. The last shipment under this quota left Jamaica on Sunday, June 17, and is expected to arrive in the United Kingdom by June 30. This was done despite adverse weather conditions, which, according to the Sugar Industry Research Institute (SIRI) was the worst experienced in recent times. The weather also affected the juice quality of the cane and hampered harvesting in many areas, Mr. Downie said. [Text] [Kingston THE DAILY GLEANER in English 23 Jun 84 p 8]

**32-PERCENT WAGE HIKE**--Bank of Jamaica's unionised employees are to receive a 32 per cent pay increase over the next two years based on an agreement reached between the Bank and the BITU last Thursday. In addition to the pay increase, the workers will get increases for a range of allowances including meals, laundry, travelling and others. There was also a 75 percent increase in their life insurance with double indemnity and implementation of a seniority allowance. The dispute over the increase led to a strike at the bank on June 12. It was referred to the Industrial Disputes Tribunal for settlement. The parties' request of the IDT that they be allowed to resume local level negotiations was granted. The agreement is effective for two years and is retroactive to April 9, 1984. [Text] [Kingston THE DAILY GLEANER in English 27 Jun 84 p 3]

PETROJAM SITUATION--It's mighty quiet on the Petrojam front. Too quiet. Security is tight, the premises have a deserted look, and there is no flame atop the refinery stack. (See arrow) Mr. Pete Fenton, Managing Director of Petrojam, has denied that the plant is closed or that the Government is importing finished oil. But reports are that the Government is buying finished oil for cash from Shell in Aruba, because the Mexico/Venezuela oil credit arrangement has expired. The Gleaner understands that there has been a serious problem of crude oil supply since January as the Government's credit position has deteriorated. No refining appears to be taking place at Petrojam, and there is said to be no stock of oil here. Meanwhile the plant's approximately 30 employees have not been laid off. There were no immediate answers to the following question: How much is it costing the taxpayers to keep the Petrojam plant normally open? How much is the Government paying in cash for finished oil from abroad, and where does the cash comes from? [Text] [Photo caption; photo not reproduced] [Kingston THE DAILY GLEANER in English 22 Jun 84 p 1]

CSO: 3298/974

BACKGROUND TO LABOR PROBLEMS, STATE OF EMERGENCY

Chronology of Events

Plymouth THE MONTserrat TIMES in English 29 Jun 84 Supplement p 1

[Text] JUNE 4 AND 5--Monlec's Workers report sick.

JUNE 12 AND 13--Water Authority Workers report sick.

JUNE 15--MAWU demands 12% and rejects management's 5% offer. Talks with Monlec broken off.

JUNE 20--Monlec and W.A. workers assembly at Harmony House in the early hours of the morning and prepare to back strike action with picket lines.

JUNE 20--Residents in the far North, East and sections of Plymouth experience water shortage. Water Authority reports sabotage. Monlec reduces operating hours.

JUNE 21--Most of the island--including the Glendon Hospital out of water.

JUNE 22--Executive Council discuss crises. Government meets delegation from Union.

JUNE 23--C.M. makes radio broadcast appealing to Water workers to return to work by Monday 25th.

JUNE 24--PLM caucus meets and decides on State of Emergency.

JUNE 25--Six striking MAWU Engineers sent to repair broken lines at Killi-krankie. Defence Force repairs other lines. Water returns to Hospital and some other areas. Governor declares State of Emergency. Chief Minister issues ultimatum to Water workers: Go back to work tomorrow or be fired. Gatherings of more than five persons banned.

Union meets management of Water Authority. Monlec ups offer to 7%.

JUNE 26--39 to 40 striking Water Workers return to work. Water restored to more sections of ward. Governor outlines conditions of State of Emergency. Monlec calls for conciliation.

JUNE 27--Union meets with management of Utilities. Monlec ups offer to 7%.

JUNE 28--Executive Council discusses crisis. Labour Minister promises to hold private discussion with Union in order to go over Monlec accounts. Minister fails to turn up for meeting.

At 2.45 p.m. Government circulates notice of emergency meeting of the Legislature today 29 to allow C.M. to make statement on crisis.

At 3.45 Chief Minister reveals he would like debate of No Confidence Motion under the protection of the State of Emergency.

JUNE 29--9:30 a.m. PLM member reported hearing party Chairman John Kelsick criticizing David Brandt, MLC, for urging Party Caucus to avoid State of Emergency and ask Montserrat Christian Council to mediate in wage dispute.

#### Osborne Attack on MAWU

Plymouth THE MONTSERRAT TIMES in English 29 Jun 84 p 1

[Text] Chief Minister John Osborne launched a scathing attack in the Legislature today on the President of the Montserrat Allied Workers Union, Dr. George Irish, in a statement to explain Government's proclamation of a state of emergency following industrial action and sabotage in the Water and Electricity Services.

"That the Union is not interested in compromise or any reasonable settlement may be deduced from the fact that the Union rejected outright the Montserrat Water Authority's management proposal to seek its' boards' permission to increase its offer from 5% to 7%," Mr. Osborne said.

Noting the Union's bid for a 12% increase for its members, Mr. Osborne asked: "Is this a wage dispute Mr. Speaker? Or is it an attempt to further the personal aims of a politically motivated leadership?"

He added: "I would leave you with one last thought by reminding you of Montserrat Allied Workers Union's role in closing down Norman's Knitwear."

"History has a way of repeating itself and without any doubt the disruption of our essential services that we have seen over the past few days can only serve to discourage potential investors coming to Montserrat and cause investors that are here to wonder about the future."

It was Mr. Osborne's worst attack yet on Dr. Irish with whom he entered into an election pact of 1978 and reportedly planned to appoint as an independent Montserrat's Ambassador Plenipotentiary to all Spanish speaking countries.

Mr. Osborne intimated Government's intention to introduce an Essential Services Ordinance which would limit the different categories of workers which a single Union can represent.

## Irish Statement

Plymouth THE MONTSERRAT TIMES in English 29 Jun 84 Supplement p 3

[Statement recorded for local radio broadcast by President of the Montserrat Allied Workers Union J.A.G. Irish; date not specified]

[Text] The present deadlock between the managements of the Montserrat Water authority, the Montserrat Electricity Services and the Montserrat Allied Workers Union is for me very regrettable.

The membership and leadership of this Union alike, are deeply saddened--by the unfortunate turn of events over the last few days and we wish to state categorically that we do not condone any form of vandalism and destructiveness, and worse yet when that kind of destructiveness and sabotage of the public utilities is calculated to embarrass the Union, frustrate the workers and injure the public.

The laws of Montserrat, up to now, make provision under Chapter 322 for workers to engage in peaceful and orderly industrial action. It is their right to demonstrate under the law and to withhold their services in support of their legitimate cause. And it is the duty of the police to be there to protect the workers against vicious lunatics and malicious criminals who would try to disturb the peace or create disorder or distress for the workers.

Electricity and Water Authority Workers have a clean record of peaceful negotiations with management over the past ten years. And the fact that they have come out in full force in this show of solidarity against the tricks of management indicates something has gone radically wrong in management circles or from broad level upwards, particularly in their attitude to workers and their claims and their complaints and their expectations....

The Electricity company, without any shadow of a doubt, can afford to pay up to 20%, but workers are willing to settle for 12%. This company has made a substantial profit every year since this fuel surcharge was introduced in 1974..... Somebody somewhere begrudges the workers that extra little 5% or 7% in these difficult guava times.

The Water Authority's books for 1984 show a potential income that can pay the workers 20% also, but to be realistic, the Union is prepared to settle at 12%.

Let the management collect its water rates from the big shots especially in upper and middle income residential areas where people get away with murder and in the business sector.

The Union cannot solve management's problems. Let management and board carry out effective strategies to realize their projected revenue and meet the workers at the halfway point proposed to them. It is not enough for a board to sit back and claim inability to pay without a tariff increase. They must get off their haunches and maximise their potential revenue and the 1984 accounts of the Authority must reflect their ability to pay if they take their lessons well.

...I took the initiative and wrote to government requesting a high level emergency meeting between President and Ministers to try and resolve the matter before it reached crisis proportions.

When discussions reach this level I expect the people to act with a brightness and straight forwardness. If a bargain is to be struck, it must be documented.

My letter to the Chief Minister after the meeting ended at 6 o'clock on Friday evening was the documentation of the results of our discussions as the workers were willing to accept them.

The Chief Minister gave us the assurance that we would have the books of the Company to scrutinize. We insisted on having them on Friday night to try and settle with a sense of urgency.

He said that that was difficult so we proposed 10 o'clock on Saturday morning as the deadline. This is Sunday afternoon and we have not had the courtesy of a reply.

Work gangs were called by the Union on Friday evening on standby to do repairs of damages done by villains who don't belong to the Union. The workers volunteered to work over time over the weekend...if they were assured of pay for the days of strike action. No reply was received.

Workers agreed to withdraw from the picket line over the weekend in a hope of reaching settlement by Monday. No recognition of this move had been confirmed.

...I want to issue a public warning to all those who are contemplating violence of any sort against the Union and its members.

No threatening speeches can intimidate this Union. No police, no Defence Force and no Government can defeat justice.

CSO: 3298/978

PAM MOUNTS PRE-ELECTION CAMPAIGN AGAINST LABOUR PARTY

Excerpts From Manifesto

Basseterre THE DEMOCRAT in English 16 Jun 84 p 1]

[Text]

After lying and lying and lying to the public for over one whole week about the existence of their make-belief election Manifesto, the fraudulent and dishonest Misleaders of the defeated Labour Party finally were overcome by shame. Last weekend Bryant worked feverishly and in a state of great agitation to piece together a lame effort at some kind of Manifesto more than half way through the Election Campaign. The people have promptly called it the Nancy Story Book.

PAM's brilliant Manifesto puts it to shame. Here again in context are the resonant opening and closing Paragraphs of PAM's success story:

"The People's Action Movement (P.A.M.) is again presenting to the people of this NATION, through this MANIFESTO, a broad outline of the policies and programmes which the People's Action Movement intends to pursue when we are returned to office for a SECOND TERM in Government.

"As this is our first MANIFESTO since forming the Government it must of necessity provide a broad outline of the achievements of the Party in the very short period of just over four years. This record of achievements is one of which any PARTY must be justly proud. In keeping with our promises we have done exceptionally well.

"We must remind ourselves that the

People's Action Movement took over the reins of Government after decades of mismanagement by Labour which left the economy bankrupt and in shambles. The islands were stagnating, and the storm clouds of oppression, hate, victimization, fear, excessive taxation, high unemployment and a spiralling cost of living threatened to envelope and consume this land. These storm clouds which for so long hung ominously and threateningly over our land have been blown away by the fresh and cleansing winds of the People's Action Movement. This country has significantly increased its stature within the region, and earned the admiration and respect of nations

throughout the world.

"We must recognise that this freedom and stability which we have peacefully ushered in must be jealously guarded, for although we stand as a haven of peace, all around us the forces of evil are trying desperately to create chaos and confusion, and hoping to stop the progressive strides made since February 19th, 1980. Never before in the history of these islands have we seen such progress, peace and harmony, joy and happiness, and freedom. Only the

People's Action Movement can continue this tranquil atmosphere which it created.

"The People's Action Movement's first term in office occurred at a time of great international and regional turmoil, and during a period of world recession. Despite all this, the People's Action Movement was able to bring significant progress to our Country, to improve wages, increase employment and usher in a period of unprecedented peace and stability.

"The People's Action Movement

crowned its many achievements by breaking the bonds of Colonialism and leading the Country into Independence and Membership in the family of Nations. This has opened new avenues for development, and new investment opportunities for the country.

"The People's Action Movement has earned the respect and confidence of the region and the world. You owe it to the Country, your Children and Yourself to VOTE for the CANDIDATES of the PEOPLE'S ACTION MOVEMENT."

#### Simmonds on 'Communist Plot'

Basseterre THE DEMOCRAT in English 23 Jun 84 p 12

['Emergency Broadcast' on ZIZ Radio 19 June 1984 by Prime Minister Kennedy Simmonds]

[Text]

Fellow Citizens, Good Evening.

It is my duty and responsibility to address you this evening on matters of urgent and vital public importance.

My Government is and has always been totally committed to DEMOCRACY and Government by the BALLOT i.e. by the VOTE.

Accordingly we have ensured that all Opposition Parties have had full and unfettered opportunity to hold public meetings and to ventilate their views.

However, what we are now seeing from those who desperately wish to regain public office is consistent only with a Communist Plot to destabilise the country, and we cannot afford another GRENADA in the Eastern Caribbean.

Government cannot stand idly by and allow men to use Communist Propaganda, Flagrant Lies, Bribery and Diabolical Trickery to destroy the STABLE DEMOCRACY of our highly respected and newly Independent Nation.

In announcing public meetings Labour's henchmen have used the opportunity to abuse citizens, and to propagate lies and malicious scandals.

#### BILL OF SALE FOR CARIBE QUEEN WITH ST. KITTS-NEVIS-ANGUILLA AS BUYER

Matters already discussed in the House of Assembly, and about which there are public records have been deliberately distorted. Specifically in relation to the purchase of the CARIBE QUEEN the Opposition is cognisant of the fact that the boat was purchased in a perfectly legal and proper manner and that fully authenticated documents are available.

This Bill of Sale which I now display before the TV Cameras, is signed by Joseph R. Schouest, President of the Misty Water Marine Corporation and is dated 17th October, 1980. It shows the Government of St. Kitts Nevis Anguilla as the Buyer, and clearly confirms the propriety and legality of the transaction.

Further the transaction was finalised at the British Consulate in New Orleans and is witnessed by the British Vice Consul as shown by the Stamp and Seal now displayed.

In addition, the Editor of The Labour Spokesman received a letter dated May 27, 1981, from Mr. Peter Johnson of Caribbean Central American Action (CCAA) confirming that the boat was properly purchased.

#### RIBEIRO LEADING LABOUR PARTY

In the same vein is the public mischief being perpetrated by Anthony Ribeiro, one of the Labour Party Candidates and I refer to a copy of the St. Thomas Daily News of June 15 1984.

"The Labour Party plans to regain power in the June 21 General Election on St. Kitts-Nevis, and Retired School Principal Anthony Ribeiro plans to lead the Party to victory as the next Prime Minister....."

Recently a local Radio Station and Hospital were sold to off-island companies.....

Ribeiro was recently on St. Thomas for the Annual General Meeting of the Caribbean Family Planning Affiliation.....

Over 100 working-class people - people who were very vulnerable - were fired from their jobs within a month after the last election, Ribeiro said. He cited the case of Val Morris who had been Superintendent of Prisons for eight years when the power shifted".

Every person in this country knows that Val Morris was retained as Superintendent of Prisons for three (3) years until 3rd February 1983 when he was transferred to organise school orchestras and teach music in schools, a position for which he was better suited.

#### LABOUR'S CAMPAIGN OF LIES AND DECEIT

Their campaign of lies and deceit has culminated in a special publication of The Labour Spokesman dated 18th June 1984 which states that Writs have been filed against members of Government by a Motion Picture Promotions Company.

The facts are that Lee Moore has filed a Writ for a person now discovered to be a Russian Comrade. The Writ purports to be against us in our official capacities. To

date the Writ has not been issued, has not been assigned a court number and has not been served on any of us.

This is clearly a flagrant and disgraceful attempt to mislead the people of this country, subvert the course of the Elections, and destroy the good name of our country.

#### LEE MOORE - A WILLING TOOL AND LACKEY

It is improper and disgraceful for any Candidate in any Election, particularly the one seeking the highest political office, to display such callous disregard for the ethics of his profession. Clearly the implications are that were the electorate to be so misguided as to place him in such office, he would immediately pay over huge sums of the people's money to his Russian client, and collect for himself from the people's purse substantial sums of money as fees.

Fellow citizens you will recall that Cannon Films came to this country and successfully completed the making of two full-length feature movies in our country. Cannon Films employed over 155 people and spent about four million dollars in the country during their stay here.

In addition, the promotion and publicity value of this enterprise to our Tourism Development is priceless and defies estimation.

Cannon Films has expressed complete satisfaction with all aspects of their operation here.

Buntzman, the Russian, attempted to coerce Government to force Cannon Films to make a contract with him, and my Government, in the best interests of the people of the country quite properly refused to do his bidding. He, like Spadaro before him, has obviously found a willing tool and lackey.

#### PROVOCATION TO VIOLENCE

In addition to the deliberate campaign of lies and destabilization tactics, is the campaign of deliberate provocation to violence by the Opposition Labour Party. I list three such instances for the record:

(1) In Lamberts there was an unprovoked attack on Miss Constance Mitcham, Barrister-at-Law, and Candidate for Constituency No. 4 immediately in front of her own residence by four henchmen who lay in wait for her for a period in excess of half an hour, in a vehicle used for announcing Labour meetings.

(2) In Cayon a Labour Comrade dragged away a poster of Mr. Sydney Morris from one of Mr. Morris' supporters and tore it up in full view and in the midst of a large crowd of Morris' supporters. The obvious intent was to provoke physical confrontation and violence. One of the Labour platform speakers drew a firearm in full view of this large crowd.

(3) At a meeting in Old Road held by the Labour Party, a young lady from Old Road Bay known as Maggie who has been physically disabled from birth and walks with a limp, was publicly ridiculed by Moore as she passed along the Main Road wearing a PAM shirt. Moore laughed raucously and said over the P.A. System, "Comrades look crab and all a drag wearing PAM shirt", whereupon his supporters rang bells behind her and taunted her. This greatly upset the people of Old Road. Accordingly, last night when Labour attempted to have another meeting in Old Road, they were met with

spontaneous hostility, bottles and stones resulting in the unfortunate injury and hospitalisation of some persons.

#### REJECT VIOLENCE

We deeply deplore violence in any shape or form in this country. We accordingly call upon all Citizens and all Organisations, and all the Churches of this country to reject unconditionally violence, and any Communist tactics designed to destabilize our country and tarnish its good name, especially at this crucial time when Elections are merely hours away.

I wish to stress that instability will signal the end of all development projects for our country from all International Agencies and the United States of America. Let me repeat, that instability is the enemy of progress and development.

#### LET US KEEP THE PEACE

The objective of these desperate Misleaders and Rejects is that regardless of the outcome at the polls, they wish to destroy the entire economic fabric of our country.

Once again, I call upon all of you my people to face these Elections seriously, soberly and with maturity. Let us keep the peace and preserve what we have built up over these years for the benefit of all of us and our children.

MAY GOD WHO HAS SAFELY BROUGHT US TO THIS DAY, GUIDE OUR HEARTS AND MINDS TO DO WHAT IS RIGHT. GOOD NIGHT. GOD BLESS YOU!

CSO: 3298/979

# LEE MOORE INTERVIEWED ON REASONS FOR ELECTION DEFEAT

Bridgetown SUNDAY SUN in English 24 Jun 84 p 10

[Article by Neville Martindale: "Sentiments of a Fallen Leader"]

[Text]

WHAT has contributed to the crushing defeat of Mr. Lee Moore, Leader of the St. Kitts-Nevis Labour Party, in last Thursday's general election in that federal state?

That was the obvious question I put to him last Friday morning at his spacious home in a deserted area, surrounded by bush, away from the beaten track, at Mardenborough.

It seemed as though he had seen the car inching its way up the long, rough, unsurfaced road to his residence, for which he later told me he had to pay \$10 000 to install electricity and provide poles *et cetera*.

As the SUNDAY SUN team pulled into his drive-way, Mr. Moore warmly welcomed photographer Charles Hackett and myself. Of course we had met before. Both Charles and I did assignments last year on the independence of the state and interviewed Mr. Moore.

"Glad to see you all," he said, giving that characteristic broad smile, as he opened the door.

He then addressed me by my first name and told me to have a seat. It was the first time that I had visited his home. The interview, or should I say, conversation, was completely free, easy, and friendly.

I got down to business at his dining table with my pen and note pad.

When I asked my first question about his defeat, he replied: "I think we (Labour) ran a strong and effective campaign. I think we had a united team. I think we had put forward imaginative policies and programmes. I think it was clear that we were impacting on the electorate, and then we did not win. I am not sure what the reason is."

Mr. Moore, who is now 45, has already spent 13 years in public life, during which he was premier of the state for nine months. Last Thursday he was defeated by 166 votes. And I asked him whether he would contest a seat again.

He said: "This is a matter to which I would have to give very mature consideration and reflection. What one does in the future requires some thought. There is not only one area in which one could serve. I have given 13 years of service to politics. It may be that there are other areas in which I can serve."

Asked more specifically about quitting politics, he replied: "I am certainly considering all my options at this stage, but I don't want to make a final statement."

"I have not had the opportunity yet of consulting with my colleagues."

In my moving around Basseterre last week, there were two statements I heard that disturbed me following his defeat. And I put them straight to him.

The first involved Prime Minister, Dr. Kennedy Simmonds, when he came to power in 1980, and Mr. Moore was alleged to have said that he would do every thing to destroy Dr. Simmonds.

Mr. Moore told me that his statement was taken out of context. He said that his remarks were in terms of politics, and they should not have been interpreted to give the impression that he meant to destroy the prime minister physically.

The second statement concerned the relations he had with the late Premier Paul Southwell. He admitted that those relationships were "strained".

Mr. Moore believed that those impacted on the 1980 general elections, when the Labour Party was disunited.

"However," he told me, "the party's wounds are completely healed, and we were completely united throughout our 1984 campaign."

He added: "I never understood that there was any residual legacy of this Southwell thing that impacted on the elections. If it came up I didn't know."

Could some of these things be responsible for his defeat?

I left the interview as unsure as Mr. Moore as to the reasons for his defeat. But the people had spoken through the ballot box.

## ST VINCENT AND THE GRENADINES

### BRIEFS

POPULATION CONTROL EFFORT--Kingstown, St Vincent, (CANA)--The Government of St Vincent and the Grenadines is to give the highest priority to population control, and will soon launch a programme to curb the country's population growth, officially put at 1.9 percent in 1983, Minister of Health, Peter Ballantyne announced. Ballantyne said the Milton Cato regime saw population control as essential for the social and economic development of the country, "as such, the government is taking all measures to effectively deal with this problem." The Government Statistical Office put the country's population at 127 883 in 1982, 56.7 percent under 19 years. About 30-33 percent of the children born here annually are to mothers under age 19, and the multiple-pronged population-control programme is therefore primarily aimed at overcoming teenage pregnancy, Health Minister Ballantyne said. The St Vincent Family Planning Association (SVFPA), a voluntary organisation former here in 1965, embarked on a programme of family planning education throughout the country in its first 10 years of existence, and also made family planning services available to the public. When the state-run National Family Planning Programme was launched here in 1975, it took over full control and responsibility of the clinical aspects of family planning from the SVPA, and in conjunction with the association, stepped up the programme of family life education. [Text] [Bridgetown BARBADOS ADVOCATE in English 16 Jun 84 p 3]

CSO: 3298/969

TRINIDAD AND TOBAGO

VENEZUELA APPARENTLY READY TO GRANT REQUEST FOR CRUDE

Port-of-Spain EXPRESS in English 15 Jun 84 p 64

[Text] CARACAS, Thursday, (CANA-Reuter)-Venezuela will not increase crude supplies to the Shell and Exxon refineries in the Dutch Antilles, Energy and Mines Minister Arturo Hernandez Grisanti said.

However, he said Venezuela is likely to agree to a Trinidadian request to supply 20,000 bpd of 24 Api Bachaquero crude for processing at its Point Fortin refinery.

Hernandez said also that the meeting in Port of Spain this week of four Latin American oil exporters-Mexico, Venezuela, Ecuador and Trinidad-agreed to study the impact of forward oil trading.

"We are concerned that speculation by traders could adversely affect our exports and agreed to review this again at our next meeting in Ecuador next November," he said. "We can't increase supplies at this stage because we don't have the crude available," he told a press conference.

The Antilles Government in Curacao has asked Venezuela to increase present crude supplies of around 300,000 barrels per day to stave off a possible closure of both.

The Exxon Aruba and Shell Curacao refineries between them have a capacity of 780,000 bpd but are running at less than 50 per cent due to the poor market.

Hernandez said Venezuela is unable to comply with the request mainly because it is restricted by its OPEC production quota which has forced it to shut in some 700,000 bpd of capacity.

Exxon officials in Aruba have said the Lago refinery there will close down in two years unless there is an improvement in its situation. Venezuela supplies 170,000 bpd to this refinery.

Hernandez Grisanti said there is no decision imminent on whether to buy a stake in Shell Curacao, to which Venezuela supplies 130,000 bpd.

He also denied reports he had rejected an offer to buy 25 percent of Texaco's 355,000 bpd Pointe-a-Pierre refinery in Trinidad, saying no proposal had in fact ever been made.

Texaco is presently negotiating with the Trinidad Government to sell up to 75 per cent of the refinery, which is operating at only 20 percent of capacity.

CSO: 3298/982

## TEXACO INITIATES \$1.5-MILLION DRILLING PROGRAM

Port-of-Spain EXPRESS in English 26 Jun 84 p 40

[Text]

TEXACO Trinidad Inc. has started implementation of a \$1.5 million capital investment drilling programme that would re-activate at least 15 producing wells and boost crude oil production by about 1,500 bpd.

According to the company's in-house paper, "The Texaco Star," the investment will cover five step-out development/exploratory wells and an initial 10-well new reserve-type workover programme. The company's ability to undertake the programme, said the Star, was as a direct result of government's favourable decision in mid-1983 to reduce the land supple-

mental petroleum tax from 35 per cent to 15 per cent. This decision freed an incremental portion of Tetrin's gross revenues for re-investment into producing operations.

The Star said that there were two basic objectives in the new programme. The first was to increase production levels while the other was to generate funds which will sustain future drilling and exploration with the goal of raising production to even higher levels. In mid-April the national-55 rig was overhauled and readied for drilling which began on April 27 at Cunjal Road in the Barrackpore field.

Manned by company crews, the national-55 has already drilled to a depth of 3,471 feet, about half way down to the target zone. The next well also located at Barrackpore is scheduled to begin in early July.

At Forest Reserve and Palo Seco, 10 wells have been earmarked for new reserve-type workovers with five being completed to date as work continues, the Star said. The report said that additionally, 10 expense workovers involving liner recovery and gravel packing have been undertaken at Forest Reserve 111 Steamflood Project.

Commenting on the project, Exploration and Production Manager Jim Huber said: "As with any drilling operation, there are inherent risks, so one is always hesitant to lock-in on resultant numbers. I will say our goal is a production increase in the order of some 1,500 barrels per

day by the end of this year from this and other well-service activity. Huber added, "This may not seem like much but when you consider that this means arresting a production decline of over 50 per cent since early 1981 say from 17,500 bpd then to 10,000 bpd in late 1983, and adding a back 15 per cent, I think that every last man in the producing division will have done a tremendous job in contributing to the turnaround we forecast."

Said Huber: "Of course there's still the outstanding issue of expensing versus capitalizing normal well workover maintenance. Assume a timely and favourable resolution, it would not be unrealistic to anticipate additional work programmes and incremental production increases. The bottom line is always, who's going to benefit from this activity? My answer is everyone."

CSO: 3298/982

VENEZUELA

MANZO GONZALEZ EXPECTED TO BECOME NEW INTERIOR MINISTER

Caracas RESUMEN in Spanish 24 Jun 84 pp 6-7

[Article by Manuel Malaver: "Manzo Gonzalez Reported to Be Next Interior Minister"]

[Text] While candidate Octavio Lepage scurries about trying to create a conspicuous vacuum in the administration's domestic policy, Manzo Gonzalez's attempts to slough off his Perez past and to portray himself as the lead man in the denunciations of corruption are beginning to make him a front-rank figure, and it would not be overbold to predict that he will get the office on Carmelitas.

One of the lingering mysteries of the first "100 days" is why Interior Relations Minister Octavio Lepage remained so calm in the face of the legal maneuvers that led to the habeas corpus request by and subsequent flight of former Transportation and Communications Minister Vinicio Carrera. We are not suggesting that as became customary in the time of Judge Villarte, as when Jorge Olavarria was arrested in defiance of a court order pursuant to an arbitrary decision by Rodolfo Jose Cardenas, the interior minister should have ordered patrol cars and battle tanks to wait for Carrera as he left prison and toss him back in. We are suggesting, though, that he should have been trailed, that he should have remained in his home under heavy police guard and that he should have been prevented from leaving the country as a citizen under indictment.

On the contrary, Carrera found to his surprise that not only was there no surveillance of his movements around the city, no measures to keep him confined to his El Cafetal home and not a single official who asked to see his identification card as he left through La Carlota Airport, but also that at all times he enjoyed a sort of "outreach security," which in the end is what enabled him to travel to Europe, where he is requesting British citizenship. He had no trouble remembering the days when he was transportation and communications minister and commuted between Caracas and Miami, reportedly carrying well-stocked suitcases.

Where was Lepage that scandalous afternoon? Was it possible that the all-powerful minister and attorney did not suspect that after the habeas corpus would come the escape? Didn't he know of the many other charges

that were being brought against Vinicio Carrera in other courts? Above all, didn't he realize that he was dealing with a highly dangerous case that therefore deserved to be heard and tried by the appropriate bodies? Moreover, there was the political element, the current administration's need to put the first COPEI big shot in jail.

The minister did not take it personally, however, and the first indication that Miraflores was unhappy with his attitude was the communique on the habeas corpus and the escape, which was read by Justice Minister Jose Manzo Gonzalez, not by the interior minister. It criticized the judicial proceedings but also cast a shadow on the police forces, which did nothing to prevent Carrera from taking off.

Furthermore, Lepage had made the mistake of threatening corrupt Herrera officials from the outset. This enabled many of them to relocate overseas and others to destroy any hard evidence of their administrative wrongdoings under the previous government. This is reportedly why Mariani, Garcia Serrano, Rodolfo Jose Cardenas and other citizens charged with irresponsible conduct are in North America and Europe, untouched.

#### A Star Falls

But Lepage is being attacked in Democratic Action and the administration on other flanks. AD members of every stripe are complaining that the minister busies himself with everything, except his responsibilities as domestic policy-maker. Crime is up; COPEI is trying to blackmail the government; Vinicio Carrera takes off; Commander Zero shows up in Caracas; Carlos Andres Perez usurps functions every day that are not within his bailiwick, and Lepage is doing "very well, thank you." At a time when every development tends to take on highly political overtones, the interior minister would seem to be engaged in an agenda that has nothing to do with Venezuela's current circumstances.

The agenda has to do with his potential at the polls. As we have known since the Perez days, Lepage is a prisoner of his presidential ambitions, an obsession that led him to be a staunch backer of the wild-eyed notion of the Great Venezuela and that overnight turned him into a Lusinchi man when he perceived that the winds were blowing in that direction. A front-line figure in the campaign of the current president, the man from Santa Rosa in Anzoategui forced his way into the ministry over the ambitions of Alejandro Izaguirre, and the talk is that he will now try to place a confidant in the General Secretariat of AD.

Meanwhile, the minister is devoting 24 hours a day to the creation of his own party machine. His political supporters travel all over the nation on weekends, getting committees together, organizing commissions, recruiting backers, gathering funds and putting together all of the workings of a machine that will unquestionably be of great help when the 1988 elections roll around. His large band of hard-core supporters and activists are, it is true, prompting opposition from and uneasiness

in other party factions, but they are performing the work on which will ultimately depend the future of their presidential hopeful and leader.

To top it all off, the interior minister got the job after both President Lusinchi and Democratic Action had tentatively put forth Alejandro "the Policeman" Izaguirre for the post. Izaguirre is an indisputably prominent party figure who is respected by all of its factions, but he was shunted off by the Lepage faction for the sake of its leader's aspirations, and this has wound up making the Santa Rosa man's chances within the party even shakier.

But the minister has not simply worked to create his own personal machine within and around AD; he has been equally zealous in placing his confidants in government. We can thus speak as well of a bureaucratic Lepage faction linked to the machinery of government. For example, there are the directors of the PTJ [Judicial Technical Police] and DISIP [Directorate for Services of Intelligence and Prevention], Leopoldo Maggi Chitty and Hector Aquiles Aponte; the director of the CANTV [National Telephone Company of Venezuela], Espinel; the IMAU head, Pedro Lava Sanchez; Bencomo from INOS [National Institute of Sanitation Works], and as if that were not enough, the current president of the Banco Industrial de Venezuela, Carlos Obregon. All of these high officials talk about "candidate" Lepage and pay him all but religious homage. The minister also gambled heavily on the AD municipal election lists, and "his" people did much worse than they had hoped.

#### Acronyms Are Not the Issue

While Lepage's star has been falling for these and other reasons, Manzo Gonzalez's star has risen again in a truly surprising manner. Originally a member of the Perez faction, rescued at the eleventh hour from the sessions of the Supreme Electoral Council, the former ARS member has been able to make his way in and gain the trust of others by taking full advantage of the dissident background that he shares with President Lusinchi. He is viewed today as independent of the squabbling factions and engaged in forging a clear and resolute political and personal destiny for himself.

The fact is that over time Manzo Gonzalez has emerged as the man in charge of government domestic policy, not only in connection with the battle against crime and drug trafficking but also in dealing with governors, parties, institutions and public figures. He is a quiet, unhurried man, but he knows how to be exactly where he is needed, which is mostly in Miraflores, where he is always available for timely consultation and advice and to keep the entire ministerial team on its toes.

But Manzo Gonzalez has been most valuable in his efforts to draw the battlelines with the Perez faction. He is no longer seen as the defender, the secretary of the man in Las Delicias Tower, as the shady genius

architect of the policy of the return; he is viewed, rather, as a minister and a politician who is at odds with the former president, who is keeping him at bay and who could be very valuable if war is declared and not very proper methods have to be resorted to. Manzo is hard-nosed, and the men who are trying to make the most of their first experience in government must be giving this some thought.

To play with assurance in this sort of game there is no better position than interior minister, and both in the administration and in Democratic Action voices are already being heard to say that in view of Lepage's inevitable demise, no one would be better suited to replacing him than Manzo Gonzalez. As arguments they cite how he conducted himself in the matter of corrupt Herrera officials, how strongly he urged the attorney general to apply the corresponding sanctions and how boldly he has been pursuing the domestic policies of President Lusinchi's administration.

#### Charges Against Manzo

The unique circumstances that have gradually enveloped the justice minister explain why overnight he has become the target of attacks from COPEI. Suddenly and for no reason, Deputy Paciano Padron charged in the press that Manzo Gonzalez was opening the door to corruption in the new administration. He cited a list of jobs and sinecures that the minister gave to his relatives, thus accusing him of nepotism. After a heated exchange of statements, the two men went to the Attorney General's Office to make their statements and denials legally official.

According to completely reliable reports, the "information" on Manzo was furnished to Padron by figures in the Perez faction, who might have gotten them from the Justice Ministry itself. In any event, it is an attempt to intimidate a well-known figure who was once the number two man on former President Carlos Andres Perez's team. The move has backfired, because it has merely pushed Manzo further into the fold of his backers in the Lusinchi faction.

There is apparently no turning back in this confrontation between "buddies." It is, in fact, becoming that much more dangerous because it is intensified by years of friendship and trust, brotherhood and camaraderie, which the unforeseen twists and turns of politics have suddenly turned into burning animosity. We all know of Manzo Gonzalez's ability to make new room for himself and of Perez's ability to inflict persecution and exact vengeance. What we have here, in any event, is a battle between two strongmen who are never beset by doubt when the time comes to settle their political accounts.

The appointment of Manzo Gonzalez would be a Lusinchi masterstroke to pull the political rug from under Carlos Andres Perez, weaken him severely and undertake a wideranging political maneuver that would lead to the discussion and passage of a constitutional amendment banning reelection. That would be giving Perez the coup de grace if, in fact, as is assumed, he is again seeking the presidency. The realization

that this clever maneuver might be in the works is probably what has caused the former president to be somewhat ill-tempered, nervous and rash in recent days, as in a fit of dementia he has shown a complete lack of restraint or moderation in his actions. Consider solely Perez's contradictory statements regarding the presence of Eden Pastora in Caracas and his endeavor to take all credit for an operation the responsibility for which must be assumed exclusively by the Foreign Ministry and the government.

All of these behind-the-scenes struggles, expectations and maneuvering enhance the position of Manzo Gonzalez, who is waiting only for the signal to attack.

8743

CSO: 3348/481

PEREZ' ACTIVITIES VIEWED AS THREAT TO GOVERNMENT STABILITY

Caracas RESUMEN in Spanish 24 Jun 84 pp 4-5

[Article by Manuel Malaver: "Carlos Andres Perez Seeks to Destabilize the Government"]

[Text] Face contorted, confronting newsmen, deprecating the government, Carlos Andres Perez is Venezuela's most active politician at the moment. Only, his activities are designed to hem the government in and capitalize on the dissatisfaction with the current administration.

Wild-eyed, grimacing and shaggy-haired, Carlos Andres Perez has for some weeks now been a worrisome presence on the Venezuelan political scene. Whether it is because of the debt rescheduling problem, the crisis in the banking system or the visit of Eden Pastora, the fact is that the former president has been taking over space, gaining strength and securing a forum, all of which is causing serious headaches for those who feel that the administration needs some breathing room to see the initial results of its policies. Everyone seems to be convinced that the chief of state urgently needs a little more time to put his house in order, everyone except this unreasonable foe who is already dreaming of once again commanding the disinherited hosts of the Third World.

The "Walker" knocks on businessmen's doors, visits military officers, meets with diplomats, shakes retired politicians out of their drowsiness and tells everyone about the urgent need to unleash an "authentic" revolution and at all costs to prevent the government of laws from collapsing, as well as to get the crisis under control by any method and to take President Jaime Lusinchi by the ear and warn him of the dangers that lie in wait for him unless he embraces the saving prescription put forth by the man who believes himself to be the heir to Romulo Betancourt's leadership. To Perez, the administration is not acting with the requisite boldness and is being overwhelmed by events, while the cabinet is completely divorced from the serious problems that hang over the country.

He has been heard to say that "it is unlikely that Lusinchi will finish his term," that a coup d'etat could come from some corner and that

we have to prepare for another sojourn in the underground or for an emergency government. Things have changed, of course, and a coup d'etat would immediately trigger a counter coup. That would provide the opportunity for the emergence of another leadership, a leadership of the men who can carry forward the "authentic revolution."

At this point Perez reaches into his overcoat pocket and pulls out a so-called "essay" bearing the suggestive title "Ideas for a Government Program." It breaks down, point by point, the fundamental elements of an upheaval that would enable us not only to establish a solid social democracy, "turn the economic pyramid upside down," and promote a new management and business class but also bring to bay once and for all an oligarchy whose ambition for power is personified by Adan Celis.

Although they are not mentioned in the "essay," Perez speaks in general terms of the "new" men who would make up this government of the millenium. The names Gumersindo Rodriguez, Pedro Tinoco, Gustavo Cisneros, Luis Alvarez Dominguez and Edgar Espejo arise, in a word, a star-studded cast of financiers, businessmen and politicians whom we would have to thank for their devotion to public service because they would have to divest themselves of their sizable fortunes in order to plunge into the tedious trifles of government.

#### A Continental Leader

"Ideas for a Government Program" also talks of a "united" Latin America, a Central America and a Caribbean governed by "radical" democracies and of a revitalized South America determined to carry forward the reforms that more than 10 years of despotism and dictatorship have held back. The reign of Social Democracy would emerge that last century's socialists dreamed of, that was championed in Latin America by Victor Raul Haya de la Torre and Romulo Betancourt and that has found an ideal medium for development in the Venezuela of the 1980's. This entire world, all of these millions of human beings, this vast geographic area and this intense landscape would be led, guided and sustained paternally by a "great chief," by a cacique and a caudillo that neither the "essay" nor the author dare mention but that for who knows what metaphysical reason the reader can immediately identify.

One of the impressions that remain most strongly etched in the minds of those who have spent time with the former president is this cataclysmic atmosphere, this apocalyptic climate, this milleniarist vision that has apparently become the leitmotiv of his current political activities. He has no doubt that we are on the verge of a catastrophe, that a crisis of unforeseeable dimensions will be unleashed and that urgent steps must be taken to enable the democratic system to survive. Survival is, of course, predicated on his leadership, on the "enlightened" understanding that only "the man from Rubio" possesses the necessary stature to move the country forward.

Those who have heard Perez say that his ego is becoming unbelievably inflated, that he really thinks that he has been anointed to fulfill a mission on this earth, that he harks back to obscure moments in his childhood, that he talks of messages conveyed to him by warlocks and soothsayers and of chance readings that nevertheless revealed his "mandate" to save not only Venezuela but an entire continent struggling for its redemption. He is, thus, an inspired being who has taken up the legacy of the "founding fathers" and who must bear the sacrifice of carrying it forward with all his strength and perseverance. Those who have spoken with the planner of the "Great Venezuela" say that the man sweats copiously, lapses into a sort of trance, as his voice grows hoarse, and utters a series of words and phrases that are difficult to understand and decipher. It is the agony of the misunderstood "genius," the pathos of the hero who somehow in his unconscious performs a transposition of "my delirium on the Chimborazo." He emerges from this crisis with renewed vigor, more prepared, and suddenly once again you hear the commanding tone of voice with which he apparently is preparing to direct his armies. Carlos Andres Perez is on the campaign trail; a fierce impatience eats away at him; fanatics and followers surround him, flatter him and tell him that the entire continent of the Americas has its eyes on him, that hundreds of millions of people awaiting redemption dream of his sword and, of course, that the time to act has come. In Las Delicias Tower the thousands of telephones ring with messages from every corner of Venezuela.

#### Differences of Opinion and Opportunities

Carlos Andres Perez had conducted himself rather discreetly over the past 6 months until the government refused to make common cause with the debtor countries that signed the Declaration of Buenos Aires. This proclamation, signed by the governments of Mexico, Colombia, Argentina and Brazil, protested the rise in interest rates in the United States, spoke out against the inflexible policy of international banks and warned of the dangers of the creditor banks' stubbornly refusing to grant the debtor countries payback periods they can live with. An invitation was extended to Venezuela to join this collective protest, which was almost that of a "debtors' club," but the government decided sovereignly that it should instead negotiate its debt separately. Nevertheless, it agreed to support the terms of the Buenos Aires document.

The "Walker" went into a rage the following day, stating that President Lusinchi's administration "had missed a historic opportunity," that it had placed itself outside a dispute that was of concern to the entire continent, that it was helping to strengthen the position of the creditor banks and that it had placed us on the side of the countries and sectors that were seeking to make it hard for us to meet our commitments, and he suggested that the Venezuelan Government's position had been dictated by the country's reactionary sectors.

The former president then began sharpening his criticisms of the new administration. He talked of the rise in crime, of the cabinet's

inability to stop Vinicio Carrera from fleeing, of the bolivar's headlong plunge, of the president's alleged inability to continue riding the crest of the wave. The former president voiced views on, gave advice regarding and became involved in every problem that he came across, as was his wont during the days of the Great Venezuela. Praiseworthy efforts were made to stanch this verbal hemorrhaging, but the former president made it clear at every turn that he had taken the offensive.

Then came the problem posed by Eden Pastora's presence in Caracas. In the beginning, Perez ill-humoredly told the press that "he knew nothing about what was going on with Pastora, that they should ask Gonzalo Barrios, that it was a decision by the government, by President Lusinchi." He stated later, however, once again a bit off the wall, that he had in fact been contacted from Costa Rica by Pastora's relatives, that he had been urged to intervene with President Lusinchi to grant him permission to enter the country and that he was in fact the man behind a move that seriously compromised Venezuela's participation in the Contadora Group. It was clear that the former president was trying at all costs to capitalize on Commander Zero's presence in Caracas and that he wanted to give the impression that the fate of Central America was in his hands.

#### Banking

There is nothing about which Carlos Andres Perez becomes more enthusiastic than talking about banks, than boasting of what he learned from Gumersindo Rodriguez about elementary concepts and statistics during the 1973 election campaign. Enraptured by "reserve requirements," seduced by "clearings" and dazed by "rediscounts," the man from Rubio can spend hour after hour giving advice about how to keep profiteers at bay, combat the smart alecks who take advantage of the Central Bank and confront a group of obsolete bankers who could not survive without government deposits and aid. He is accompanied in his incursions into finance at the moment by Gustavo Cisneros, the businessman who has become his shadow, who sponsors all his projects and who is already talking about being a minister in the "next" administration.

Perez has been active in criticizing the condition of certain banks, in attacking private banks and in indicating that some bankers got rich in dollars not only in the wake of the crisis in the exchange system but also from an improper use of public monies. He cites his decision to take over the BND, the "benefits" that it brought the country and how if the same step had been taken with other financial institutions, Venezuela would not have been saddled with its debt or its devaluation problem. His eccentric views are shared by Gustavo Cisneros, who, rumor has it, is doing everything he can to lay his hands on a "bank that has been taken over."

The Perez-Cisneros back-scratching exceeds all bounds, and it should not be taken lightly that Commander Zero arrived in Caracas on board a Channel 4 plane. A well-planned network of interests had to be

functioning, without doubt, in order for an operation of this magnitude to be pulled off in spite of all the risks. Gustavo was with Luis Herrera to the very end; it could even be said that he bid him farewell, and for this reason he has won himself the enmity of President Lusinchi's men. And he is hanging himself on the scaffold of a presidential hopeful who, by all forecasts, will install a Pepsi-Cola socialism.

It is no coincidence that the insidious campaign unleashed against the banks, financial institutions and savings associations has been conducted in the media controlled by Perez and Gustavo Cisneros, specifically the gossip magazines of Rafael Poleo, which began by attacking DICSA and Rafael Tudela, are now after Cavendes and are apparently planning crusades against the Banco Union, the Banco Mercantil and the Banco Latino.

### Obsession

Jaime Lusinchi's administration has, of course, been monitoring all of these escapades by Perez and his allies. It has chosen not to lock horns with a figure who has unquestionable support among the rank-and-file of Democratic Action and who is on the move at all levels, but the day will come when all of these considerations will become secondary. The "Walker" has already been told "no" concerning the payment for Eden Pastora's treatment in the clinic, when he wanted the government to join the so-called "debtors' club," in connection with private banks and, above all, concerning his presidential ambitions.

Nevertheless, the man is not to be taken lightly. He is unquestionably continuing to gain prestige among the masses of Democratic Action activists and sympathizers and is reaching out to other segments of the population. Carlos Andres Perez's populism and Social-Persicracy [?] hold an irresistible attraction for the disenfranchised masses, and it is precisely from them that an oil-fueled Peronism could arise.

It could happen through a coup d'etat or a democratic process that would enable Perez or one of his confidants to again govern Venezuela and to revive the Great Venezuela, giving wings to his Third World leadership and, most importantly, enshrining a political and economic agenda that would by dint of demagoguery prevent the country's real recovery. Carlos Andres Perez and his allies seem to be engaged in all these things. Keep your eye on them.

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VENEZUELA

CHAMBER OF DEPUTIES PRESIDENT SEEKS ANOTHER DEBTORS MEETING

Caracas EL UNIVERSAL in Spanish 27 Jun 84 p 2-1

[Text] Dr Leonardo Ferrer, the president of the Chamber of Deputies, is in favor of bringing together once again the countries that held a summit meeting in Cartagena to call unilaterally for a freezing of interest rates at the 31 December 1983 levels.

"I find it strange," the Social Christian leader told newsmen, "that in response to the Cartagena summit meeting, four major banks decided unilaterally to boost interest rates. This is inadmissible because a half-point rise significantly increases debt servicing costs for Venezuela and the debtor nations of Latin America."

"The foreign debt rescheduling that Venezuela is currently engaged in," Ferrer added, "is a problem that could be placed within the context of national sovereignty."

The Social Christian leader feels that our countries are in a delicate economic position, which has political and social effects as well. He goes on to say that for some months now there has been talk of jointly analyzing the strategies that the debtor countries should pursue, as was discussed at length at the Latin American summit meeting in Cartagena.

Leonardo Ferrer's conviction is that "the crisis is of political origin, with repercussions in the economic and social spheres, which means that the solutions must be political." The 1970's marked the beginning of a "liberal credit" policy by the developed countries for the Third World, he stated, which brought on unprecedented borrowing by the latter nations.

He added that present estimates are that 40 percent of the loans of the world's banks are to the developing world, that almost half of this \$600 billion is accounted for by Mexico, Brazil, Argentina and Venezuela and that it was in the early 1980's that international banks drastically changed their policy of liberal, soft credits, suspended loans and, at the same time, began a recovery policy.

"This new policy," he stated, "coincided with a worsening of the terms of trade of the developing countries, and even commodities such as oil were adversely affected."

Ferrer feels that the most practical thing for Venezuela to do is continue bilateral discussions, but the criteria ought to be shared. He says that the most important thing is a firm determination not to accept prescriptions and recommendations that are incompatible with our development goals as a democratic country.

The president of the Chamber of Deputies knows that the foreign debt crisis is serious, but he also realizes that the problem is manageable as long as the original ground rules are not changed, especially regarding interest rates, as is happening at present.

We cannot forget, he underscores, that the crisis that we are experiencing is related to overall economic problems and that both the debtor and the industrialized countries bear the responsibility, which means that the solutions must be such that the sacrifices are shared equally between debtors and creditors. The international financial system is fragile, and therefore if solutions are not agreed upon that enable the debtor countries to meet their commitments, the system could collapse, which would drag down the economies of the most developed countries.

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VENEZUELA

REACTIONS TO IMPLEMENTATION OF NEW 'ENABLING LAW' VIEWED

Business Sector's View

Caracas EL UNIVERSAL in Spanish 26 Jun 84 p 2-1

[Article by Wilfredo Mejias Zerpa]

[Text] In contrast to what happened with the Law of Costs, Prices and Wages, when the talks were interrupted to let Congress take the stage, FEDECAMARAS [Venezuelan Federation of Associations and Chambers of Commerce and Industry] yesterday asked for a dialogue with the National Government and the CTV [Confederation of Venezuelan Workers], this time "to convey to them the private sector's concern over the sudden and unilateral (without prior consultation) implementation of the decrees that have to do with the Enabling Law," in the words of Adan Celis.

Specifically, the presidents of FEDECAMARAS, Adan Celis, of CONINDUSTRIA, Carlos Ramirez Machado, and of CONSECOMERCIO, Frank de Armas, met yesterday from 8:00 until 10:30 in the morning at Celis's residence to analyze what they regarded as a serious problem for the workers and their companies if the decrees are unilaterally enacted, especially the ones having to do with the 10 percent expansion of payrolls and the establishment of company mess halls in plants with more than 50 workers.

Absent from the meeting were the presidents of the Venezuelan Chamber of the Construction Industry, Leopoldo Baptista; of the National Banking Association, Gustavo Marturet, and of the National Federation of Livestock Raisers, Enrique Urdaneta Lecuna.

After the meeting, the president of FEDECAMARAS, Adan Celis, speaking on behalf of the nation's businessmen, said that he had been at a breakfast discussion of "our serious concern over the sudden and unilateral implementation, without prior consultation, of the decrees stemming from the Enabling Law."

In Celis's judgment, all of the business sectors that belong to FEDECAMARAS are extremely troubled that the administration has enacted this law bureaucratically, without a knowledge of actual conditions and without providing for the necessary flexibility and modes of action, in accordance

with the characteristics of the companies, because generalizations should not be made about companies since this could lead to the collapse of many of them.

The FEDECAMARAS president cited three reasons why the administration ought to consult with the nation's businessmen about the enactment of the Enabling Law decrees.

Celis mentioned first that around the time that President Jaime Lusinchi was going to announce the package of economic measures, he called them to Miraflores for consultation, "and we took part in putting the package together, even though we did not agree with many aspects." Secondly, Celis feels that the spirit of the social pact ought to be taken into account, inasmuch as the president said in his election campaign that the pact was based on consultation between business, labor and government. Third, Article 109 of the National Constitution stipulates that the government must set up a consulting body, that is to say, talk things over. All of this, in Adan Celis's opinion, must be taken into account.

Celis also believes that both the people who are going to enforce the laws and the people to whom they are going to apply should discuss them and their enactment. He stated that they were consulted in a general way when the economic package was announced, as a frame of reference for the Enabling Law. At this juncture, each decree is a different problem for each sector and company, the FEDECAMARAS president said.

#### Death of Social Pact Being Decreed

Speaking after Adan Celis, CONSECOMERCIO President Frank de Armas indicated that given how the decrees relating to the 10 percent expansion of payrolls and the mess halls are being implemented, they could seriously damage the economy, harm the recovery and destroy the social pact.

De Armas said that "if we are not consulted, the government could be decreeing the death of the social pact. We feel that if the 22 decrees of the Enabling Law do not provide for consultation with business and labor about the judicial mechanisms used in them, the economy and confidence could be impaired."

#### Many Companies Might Not Make It

The president of the Venezuelan Council of Industry, Carlos Ramirez, indicated for his part that the draft decrees that are being circulated could be catastrophic for many companies, especially the decrees having to do with the transportation bonus, the company mess halls and the 10 percent expansion of payrolls.

Ramirez recalled that business has been stressing the need for a dialogue, because if the decrees are enacted as they now stand, many industries and companies might have to fire more people than the government wants them to hire.

Anticipating the stand that the private sector might take on the decrees in question, the president of CONINDUSTRIA indicated that the republic's laws must be observed. He argued, nevertheless, that they must not impair the stability of companies. President Jaime Lusinchi spoke of an ongoing dialogue, and that is what we want, he said.

Ramirez Machado called the company mess halls "a new wage boost in disguise, because forcing the companies that have not yet gotten over the recession of the last 5 years to set up mess halls, even over time, could turn out to be detrimental to the workers there."

The industry leader said that an ongoing dialogue should be undertaken to see which companies can and which cannot set up mess halls and expand their payrolls (ideally by 20 percent).

The CONSECOMERCIO president spoke up again and noted that the menu that the National Institute of Nutrition currently provides costs 12 bolivars and that it would increase to 18. This entails an additional 20 million bolivars a day in outlays for all companies.

With regard to payroll expansions, Frank de Armas predicted that many companies would be unable to hire on more workers and that labor inspectors would be on the lookout and would automatically impose unappealable fines, which would be tantamount to decreeing the shutdown of these companies.

In short, the private sector was hoping yesterday that the National Government would summon it and the CTV to a dialogue so that they could voice their view that the enactment of the decrees as they now read would be harmful to the workers and their companies. They cited the social pact, and it now remains to be seen how the administration will consult them regarding this issue, which will apparently set the sectors involved in the social pact at odds.

#### Political Leaders' Views

Caracas EL NACIONAL in Spanish 27 Jun 84 p D-13

[Article by Eduardo Delpretti]

[Text] The leaders of the various political parties have spoken out against the criticism that Venezuelan business (the presidents of FEDECAMARAS, CONINDUSTRIA and CONSECOMERCIO) has leveled at two of the decrees in the Enabling Law, the 10 percent expansion of payrolls and the opening of company mess halls. Using different wording, they said to a man that business now has no right to make demands of any sort.

#### Why the Misgivings Now?

Carlos Canache Mata, the head of the Democratic Action (AD) bloc, commented that under one of his administration's social pact policies, President Lusinchi met repeatedly with representatives of all sectors of national life, with FEDECAMARAS and the CTV in particular, before announcing

on 24 February the new economic measures that the country is now familiar with. The press reported on the administration-CTV-business accord, he said, recommending that we look it up.

"The government felt that it was in the nation's best interests to set the exchange rate at 4.3 bolivars to the dollar for paying off the principal of the private external debt that had been legitimately contracted before 18 February 1983. Some have even argued that it was a major concession to business, while others contend that had the government not done so, many companies would have gone bankrupt, with the resulting increase in unemployment."

Dr Canache said that, in turn, business promised to accept the compensatory measures to preserve the buying power of the workers' wages and to boost employment. And if that was the case, he cannot understand why the employers now have misgivings about the imminent enactment of the measures to which they agreed. He finds it even harder to understand why business is now claiming that only the company that had external debts and that took advantage of the 4.3 bolivar-dollar exchange rate to pay them off are obliged to expand their payrolls by 10 percent, to set up mess halls and to pay a transportation allowance.

"In these difficult times for our country," he indicated, "all sectors, and it would be absurd for FEDECAMARAS to exclude itself, are obliged to contribute and sacrifice, so that we achieve an economic recovery and overcome the crisis that the unfortunate COPEI [Social Christian Party] administration left us as its bitter legacy."

#### It Is Now the Government's Move

Juvencio Pulgar from the MAS [Movement Toward Socialism] bloc, remarked that FEDECAMARAS has never said anything about how many businessmen asked for dollars at 4.3 bolivars to pay off their alleged overseas debts, even though the entire country knows that there were abuses. Moreover, RECADI has so far been unable to secure documentation in this regard. One asks why, and the answer is that there is a great deal of deceit in the private external debt issue.

"It is now up to the government to enforce all of the terms of the Enabling Law. It has argued quite enough that the law will get the economy moving again, which we can see FEDECAMARAS is opposed to. It is thus declining to make the contribution that business ought to make and in so doing revealing its deep-seated selfishness."

He then pointed out that the next move is up to the government.

#### Unusual Reaction

Jesus Angel Paz Galarrraga, from MEP [People's Electoral Movement], described as "unusual and worrisome" the reaction of business to the government's decisions, mainly those of Congress and the administration.

"It has practically threatened and coerced the administration and the ruling party into not approving the Law of Costs, Prices and Wages, even though the original purpose of the bill has been twisted. The mere fact that the Commission of Costs, Prices and Wages is made up of five persons, three of whom are from the administration, means that the administration has the last word on any decisions."

Therefore, he voiced the view that it is useless to discuss whether or not the law is binding.

"In statements to the press that have not been denied, some FEDECAMARAS leaders have said that business will refuse to sit on the commission, which constitutes an open rebellion against democratic institutions. The most serious part, however, is that FEDECAMARAS consists 95 percent of small and medium businessmen, whose interests have nothing to do with its spokesmen, who represent the other 5 percent, the economically powerful segment. The blame belongs with the administrations and their parties, mainly during the decade from 1973 to 1983."

He felt that under the current administration the so-called social pact is little more than an understanding between the AD faction of the CTV and FEDECAMARAS, inasmuch as MEP has two people on the CTV Board of Directors but they have never been invited to the meetings between the two organizations.

"In light of the above, it is not strange that FEDECAMARAS should start protesting two of the compensatory decrees called for in the Enabling Law. In contrast," he remarked, "it is delighted with another provision in the law, under which the president is empowered to issue 30 million bolivars worth of public debt bonds to pay off that amount of borrowing by business."

He remarked that for public-relations reasons the administration wants to sugar-coat the pill.

Not at All Surprised

Makario Gonzalez from MIR [Movement of the Revolutionary Left] indicated that the stand by business does not surprise his party at all, given that business won its first battle when it was given dollars at a preferential rate to pay off its foreign debt, "most of it contracted illegitimately because it was earmarked for speculative purposes, not for investments to further national development."

"FEDECAMARAS concluded that it would be in power under Lusinchi's government, and it thus stands to reason that it is now trying to get more from this administration. The Enabling Law calls only for handouts for the poorer segments of the population, who will be even worse off if the administration continues to give in to FEDECAMARAS."

Gonzalez offered the view that a 100-bolivar transportation allowance is laughable and that the installation of company mess halls would not put the slightest dent in business's big profits.

"We feel that the country's labor leaders must stand firm and defend the small offers that the administration has made to them and not give ground in backing the original text of the Law of Costs, Prices and Wages, which business pressures have now made a mockery of and which will not be at all beneficial to the workers."

#### Insatiable

Raul Este from the communist bloc commented that "FEDECAMARAS is insatiable as it does not want to give in on anything, after it received \$6 billion at 4.3 bolivars and after it went along with the administration's request to throw some crumbs in the workers' direction, such as the transportation allowance, which is not a wage boost because social security benefits are not included, or the 10 percent expansion of payrolls, which the administration will not be able to monitor because there is no infrastructure, or the family shopping basket without mechanisms to actually distribute it."

"I think that with its stubborn attitude business is having a hand in causing social upheavals of unpredictable consequences for the country. I also think that the administration should take the bull by the horns, so that the Law of Costs, Prices and Wages, not just the Enabling Law, helps to lighten the burden that weighs on the shoulders of the lower-income classes because of the high cost of living that has resulted from inflation and the devaluation of our currency."

Note: The COPEI view does not appear because its legislators were all in the National Committee and did not pass by Pajaritos yesterday morning.

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END