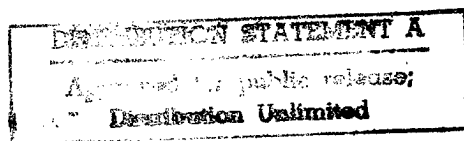


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23 February 1984

Latin America Report



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23 February 1984

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INCREASED PETROLEUM PRODUCTION RENEWS ENERGY AWARENESS

Bogota EL TIEMPO in Spanish 11 Jan 84 p 8-B

[Text] President Belisario Betancur has announced that in Colombia a new energy and mining era is beginning, and he revealed that petroleum production in the country reached 165,000 barrels a day.

He also reported that the natural gas reserves exceed 4 billion cubic feet, while generation of electricity in 1985 will be 14,229 megawatts, and the plan for rural electrification will benefit 145,000 homes in the next 3 years.

"The country became aware of the potential for utilizing new and renewable sources of energy and has been promoting programs, such as those executed through the Gaviotas Center, in the areas of solar and wind-produced energy (even the Casa de Narino is already using solar energy). In addition, several enterprises in the energy sector are promoting projects in the areas of geothermal, micro-powerplant and biodigestor energy," the chief executive said upon sanctioning the reorganizational law for the Ministry of Mines and Energy.

The chief of state said a few brief words in the Casa de Narino, in a ceremony attended by Minister of Mines Carlos Martinez Simahan, Minister of Development Rodrigo Marin Bernal, and the directors of the Colombian mining and energy sector.

He mentioned the lesson learned from the energy crisis in Colombia, and he said that although the increase in the price of petroleum hurt us, due to our dependence on foreign energy supplies, it is also true that this has made possible the exploitation of alternative energy resources, particularly natural gas, coal and hydraulic energy.

"The petroleum crisis," the chief of state specified, "allowed our hydro-electric potential to emerge as a more convenient and efficient alternative for producing the electrical power which the country needs for progress, for industrial growth and for improving the standard of living for the urban and rural population."

In his speech the chief executive made an inventory of Colombia's energy resources, and emphasized particularly the reemergence of mining.

He reported that gold production reached an average of 14 tons a year, creating employment and strengthening the international reserves; at the same time he emphasized the prospects for projects such as the mining of nickel, phosphates and copper.

"This detailed account of the evolution and prospects of our energy and mineral resources establishes the role of this sector in our economic growth, and fosters the decentralization of development and the stimulation of domestic demand, particularly for capital goods," the president said.

The chief of state reiterated the importance of the new Ministry of Mines and Energy, which will have four general directorates: hydrocarbons, electrical power, unconventional energy sources and legal affairs.

"The foundations have been laid for strengthening the planning of this sector through systematization, storage and management of information on mines and energy," the president said.

After noting the precarious safety conditions which accompany mining operations, he reported that safety will be improved by the coordination of rescue stations with rescue teams, an effort which is intended to take precedence over other work.

Finally, the chief executive explained that the sanctioned law does not constitute a definitive solution to the complex problems of Colombia's mines and energy sector, but "complements the achievement of the policies and programs which the country has outlined on a short term and medium term basis."

Ministry of Mines Reform

The reform of the administrative structure of the Ministry includes, among other measures, the following:

1. New policies regarding exploration, exploitation, transport, refining, processing and distribution of minerals and hydrocarbons, as well as policies pertaining to generation, transmission and establishment of technical standards in the electricity sector and in general concerning the utilization of nonrenewable natural resources and the country's energy sources.
2. To conduct new research to attain a better understanding of the mineral potential, of hydrocarbons and of the country's hydroelectric resources.
3. To keep a tally of the mineral deposits and reserves of hydrocarbons, either state-owned or private, in order to have access to this indispensable information for working out programs and policies that promote and develop the entire range of sources and energy utilization in a coordinated and efficient manner.

Another of the fundamental aspects of the new law is that it promotes to managerial levels those officials who are in charge of the Ministry of Mines.

CSO: 3348/261

ENERGY MINISTER HART DESCRIBES PROSPECTS FOR PETROLEUM

Kingston THE DAILY GLEANER in English 23 Jan 84 pp 1, 18

[Text]

OCHO RIOS, S.A.

No further price increases in petroleum products are contemplated and no further such increases will take place so long as the present national and international climate remains unaltered.

This was stated by Senator the Hon. Hugh Hart, Minister of Mining and Energy, when he addressed the closing luncheon of the 33rd Annual Convention of the Jamaica Gasolene Retailers Association, which was held at the Americana Hotel yesterday afternoon.

The Government is also pursuing a policy of de-regulation of the petroleum retail trade while continuing the development of indigenous energy sources and taking steps to conserve energy.

Speaking about rumours of an imminent increase in the price of petroleum products, Senator Hart said it must be obvious to everyone that in the unlikely event of an increase in the price of crude oil in the foreseeable future, or in the "equally unlikely event" of a further significant devaluation of our currency, then in either of these cases the impact would of course be felt on pump prices.

"However," he said, "as I have said before and I wish to repeat most emphatically, no further increases in the price of petroleum products are contemplated, and I can assure you that unless and until there are international crude price movements or inexplicable increases in the exchange rate which could only result from the public not caring at what price they buy foreign exchange for their own requirements, there is no way that the price of gasolene or of any other petroleum product is going to move."

He said that there are "mischevious rumours" that notwithstanding the recent announcement of price increases for petroleum products the price of gasolene would shortly be increased to \$12 a gallon. "Should anyone wish to give credence to these ill-founded and malicious rumours their minds will now be put at ease," Mr. Hart said.

Senator Hart noted that the petroleum industry was at present regulated — with prices, margins, hours of operations, and other aspects of the industry prescribed — and that it will be recalled that in July of last year the Prime Minister who was then the Minister of Mining and Energy met with representatives of the Industry and announced Government's intention to deregulate the industry in such areas as for example, setting profit margins for the various segments of the industry and determining the closing and opening hours of the filling stations.

It was the Prime Minister's view, Senator Hart said, and one which he shared, that there is room for the industry to return to the competitive level of operations which existed prior to the introduction of the Petroleum Price Stabilization Fund.

He said it was his hope and desire that in the not too distant future this industry can be deregulated, albeit in imperceptible stages, so that healthy competition can once more be the motivating factor to profitability and that the public who rightfully should be the beneficiary of this, will start to receive larger dividends by way of better service and "keener" prices.

The Minister said that in the whole concept of deregulation, there was the position of the small rural petrol stations to be considered. This area of the industry has had to supplement its income by peripheral activities in order to remain viable, due mainly to the small quantities which pass its pumps as a result of the remoteness of its location. "It is, however, largely true to say that the more remote the location of a petrol station the greater the service it performs to the public, and the more necessary it is to ensure that it remains in business, as in all that we do, the interest of the public must be paramount," the Minister said.

As a prelude to possible deregulation, the Mining and Energy Minister said, he has received an assurance from the executive of the JGRA and from the marketing companies that they will together work out a system whereby a relatively insignificant amount per gallon would be deducted from the margins on gasoline for "A" stations and added to the margins for "C" stations practically all of which are located in the rural areas. It is hoped by so doing to give recognition to the essential service which these rural "C" stations play in our total economic life and to make them sufficiently viable so as to ensure their continued existence should deregulation occur he said.

In any event, the Minister said, strong measures will be taken wherever improper methods of industry operations are discovered and those who do not meet the pre-determined standards may well find that their ability to continue in the industry is jeopardised.

Senator Hart said that in reviewing the matter of opening and closing hours his Ministry was of the view that the present controls are not making a significant

impact on energy conservations. It might therefore be appropriate to remove restrictions on the operating hours of stations thereby permitting each dealer to determine the hours best suited to himself and the area in which he operates

It must be borne in mind, however, he said, that until and unless this occurred the law still stood and must be adhered to. Hopefully, therefore, the Minister said, "the stage has now been set for the industry in the future to deal with itself in this and other areas including the regulation of its operating hours and I as the Minister responsible, will be able to sit back and watch the experts in their chosen field handling with honesty and efficiency their own industry."

Continuing, Senator Hart said that in the calculation of the margins it was envisaged that stations would not in the future be dealing in kerosene before the present system is terminated. However, it is necessary to ensure that a proper alternative distribution system is put in place and work is being carried on in this respect. He assured the dealers that they would be consulted on the matter.

The Minister warned that Jamaica's national energy policy must for all the reasons outlined be directed towards maximising the use of those energy forces which are indigenous and which will bring the two fold benefit of foreign exchange savings and cheaper energy to the consumers. For this reason, he said, hydro-power and peat must be our major priorities with coal following closely behind.

He assured the audience that Government would seek to supplement the main energy sources with solar and bio-systems and at the same time continue exploration of oil and natural gas in an attempt to increase Jamaica's reliance on indigenous fuels.

"At the epicenter of this wide and embracing policy lies conservation, Senator Hart said. He said new technology, prudent management, energy saving device, moving away from traditional fuels to those which are more economical though serving the same purposes, "must be our constant and conscious endeavour."

"We must stop tearing up and throwing away Jamaica's hard earned yet scarce foreign exchange. We must cease pretending that we are rolling in affluence. In short, we must start to live within our means. In the successful achievement of this objective, each and every supplier or consumer of petroleum products has his or her significant part to play," Senator Hart said.

The JGRA convention was held over two days — Saturday and Sunday — and was also addressed by Governor General, Sir Florizel Glasspole and Senior Puisne Judge, Hon. Justice Parnell.

UTILITIES COMMISSION ASSAILS TERMS OF CDB LOAN

Castries THE WEEKEND VOICE in English 14 Jan 84 p 5

[Text]

THE Barbados-based Caribbean Development Bank [CDB] has been criticised here for the "really harsh" terms of a loan agreement which it has entered into with the St. Lucia Government on behalf of the island's electricity company.

The criticism has come from the Government-appointed Public Utilities Commission [PUC] which last November heard an application by St. Lucia Electricity Services Limited for an increase in rates.

The PUC's report on the hearing said that the loan for US\$2.7 million would finance the purchase of a new generator for the company's main power station.

According to the PUC, one of the most stringent terms of the agreement prescribed for "the virtual abolition" of the commission and vesting power for fixing electricity rates in the company.

The Commission said it recognised the necessity for the new machine and the importance of setting it up at the earliest possible date.

It added that from the "expert evidence" that was available to it, the island's main power generating plant at Union was now strained and it was a question of relieving the strain by the addition of a totally new machine.

But the P.U.C. said, the new generator had not been ordered because the loan agreement with the CDB "has not become effective." Until this was done, it said, St. Lucia would have to continue with the use of old generators and probably suffer the inconvenience of load shedding.

It referred to as "draconian" and "really harsh" some of the conditions attached to the loan by the CDB.

The Commission argued: "One would think that the CDB was established for the purpose of developing the economies of the Caribbean, and would not be expected to deal in rigid banking principles."

"[One would also think] that consideration of the poverty of those islands and the low standard of living suffered by the people whose very development the bank was designed to encourage would be taken into account. But this does not appear to be the case."

Indeed, the Commission said, there was a clause in the loan agreement which provided for a penalty in case of default but gave the CDB the power to transfer its right, title and interest under the agreement to any foreign aid donor.

Said the Commission: "This means that if a country like West Germany were an aid donor with the Bank, which we believe it is, then the Bank would have the right to transfer to the Government of West Germany, the interest in the loan as vested in the CDB."

The Commission concluded that this was "Inconsistent with the principles of national sovereignty."

CSO: 3298/444

SELF-SUFFICIENCY IN OIL EXPECTED IN FEW YEARS

Rotterdam NRC HANDELSBLAD in Dutch 20 Dec 83 p 11

[Article by Peter Schumacher: "Suriname Will Soon Meet Own Oil Needs"]

[Text] Paramaribo, 20 Dec--Suriname is not yet about to become a member of OPEC, but it may meet its own oil needs within 5 to 10 years. This is the perhaps overly optimistic expectation of Eddie Jharap, director of the Suriname National Oil Corporation.

Present production, coming from the Catharina Sophia oil field in Saramacca, amounts to only a modest 700 barrels of heavy fuel oil a day. After sand and water are removed using a simple process, this oil is delivered as fuel to the Suralco aluminum smelting works. Recently, the 100,000th barrel of oil was somewhat ceremoniously delivered.

As I speak with him, the energetic and self-assured Jharap, 39 is on his way to the United States to buy 2 million dollars' worth of machinery which makes it possible to heat oil at its source through injecting hot steam nearby, through which the oil becomes thinner and easy to pump out. According to Jharap, production can be at least doubled and sometimes even quadrupled through this method, which is also used in Schoenebeek.

Refinery

Jharap estimates that production next year will reach 1,000 barrels, and the goal for 1986 is 2,000. That production level makes a difference of 30 million Suriname guilders a year in scarce foreign exchange. At a production level of 5,000 barrels a day, Suriname would be self-supporting.

"Then we can start thinking about building a small refinery so that we no longer need to import any gasoline either. I can use the foreign currency that I am 'earning' with the present production to buy machinery in America which can increase production. We are doing this with Gulf, who is lending technical assistance to the construction of the steam injector," Jharap said.

The Saramacca field is estimated to contain 160 million barrels, of which at least 10 percent and at most 40 percent is exploitable. Suriname is also working offshore. Over the past 3 years, Gulf has done six offshore

test drilling operations. Three of the wells have produced. Gulf must decide one of these days whether the discoveries off the coast are promising enough to be exploited.

Work Hard

Jharap says that he has no idea whether Gulf will take the venture. "Recently at Gulf, attention has been focused more than before on large fields. If they don't do it, I'll go talk with other large oil corporations, like Shell. I can deal well with Americans, pragmatic people who say what they think of you. No, I won't go to Holland for the time being. I studied geology there for 6 years. Then I turned red, but if I go there now I have to register with the police and they're so annoying."

The Suriname National Oil Company was established in 1981. Eddie Jharap became its first director in 1982. At that time he had worked for the Suriname geological bureau for 12 years. At National Oil, he set up things professionally from the very beginning. "I now have good people around me who are enthusiastic and want to work hard, even if it means 48 or more consecutive hours. I do that too. I'm at the point now that I can leave for America for a week or longer with peace of mind, without having to worry that things aren't going well. We employ only a hundred people, who are all very motivated. I get a kick out of this work, especially with all this depression around," the fast-talking young manager says.

Initially, Jharap was planning to draw steam for his injector--he speaks jokingly of "my little heater"--from a Suriname corporation, but he withdrew. "I prefer to keep all of that in my own hands, because the point here is that people know exactly how something must be done, everything nicely calculated, but when it has to happen it often goes amiss because of lack of total devotion, and then you can forget such a project--the Cebalebo dam is a good example--for years or perhaps even forever. I see what we want to do with oil as a great national effort. I've shown that with hard work you can produce results." Jharap says, not without pride.

12271

CSO: 3214/112

GUATEMALA COMPLAINS OF UNFAIR HONDURAN TRADE RESTRICTIONS

Guatemala City PRENSA LIBRE in Spanish 3 Jan 84 p 17

[Text] "Honduras is practicing unfair competition, which severely damages Guatemala in the commercial trade between the two countries," stated the manufacturers' association yesterday.

In a written statement, the country's factory owners asked Minister of Economics Leonel Hernandez Cardona not to sign any agreement to exchange products with Honduran economic officials that would continue to damage Guatemala's position in the Central American Common Market.

The industrialists accused Honduras of engaging in unfair practices in regional commercial trade. They pointed out that Honduran manufacturers have taken advantage of the Guatemalan market without limits for many years, while in Tegucigalpa import licenses are required, foreign exchange is restricted and the products of our country are subject to duties.

They added that it is well known that Honduras' ambiguous position in trade was responsible for the deterioration of the Central American economic integration program.

"The Central Bank of Honduras does not grant import licenses and does not authorize foreign exchange to pay for the purchase of Guatemalan products. They impose more and more restrictions and obstacles each day, which proves that they are in violation of the commitments Honduras has made to Guatemala and to the Central American integration process," states the manufacturers' association statement.

The statement adds that a similar situation exists in our commercial trade with El Salvador.

The industrialists indicate that the restrictions imposed in Honduras and El Salvador on Guatemalan products have reduced our country's ability to export to those markets, and have now cut it off entirely by closing the border.

"Honduras does not approve import licenses or foreign exchange for Guatemalan products, while for many years Honduran goods have been entering our market and displacing nationally produced goods and aggravating our unemployment" the statement added.

The Guatemalan industrialists express confidence that Minister of Economics Leonel Hernandez Cardona will be able to reach an equitable agreement with the economic authorities of Honduras and El Salvador in order to overcome this crisis.

NICARAGUA, EL SALVADOR TO PAY DEBTS TO GUATEMALA

Guatemala City PRENSA LIBRE in Spanish 6 Jan 84 p 2

[Text] Representatives of the central banks of El Salvador and Nicaragua each signed agreements with the Bank of Guatemala to pay off their debts, which total 170,523,802.14 Central American pesos.

This was reported by the department of public relations of the Bank of Guatemala, where it was stated yesterday that the debt of the Central Bank of Nicaragua totals 132,784,690.01 Central American pesos. The value of that peso is on a par with the dollar.

El Salvador owes Guatemala 37,739,112.13 Central American pesos, while the Bank of Guatemala has obligations to Costa Rica for a total of 45.5 million, to be paid in accordance with a recently signed contract.

According to the Bank of Guatemala, Nicaragua will pay its obligations over a period of 7 years, with a grace period of 2 years. The payments will be biannual. Fifty percent of the debt will be paid off in 9 payments, and the other 50 percent in a lump sum.

The interest accrued on this debt will be paid in three equal, successive payments on 10 January and 10 March of this year.

El Salvador will pay its debt over a period of 5 years in quarterly payments that will begin as of 4 January of this year.

The Bank of Guatemala will meet its pending obligations with the Costa Rican central bank over a 5-year period. The commitment includes a grace period of 3 months, and 18 quarterly principal payments of \$2.1 million each, plus a final payment of \$7.6 million, concludes the report released by the department of public relations of the Bank of Guatemala.

8926

CSO: 3248/349

DEFENSE MINISTER BORRAS SPEAKS ON MILITARY TOPICS

Shortened Military Service

Buenos Aires LA PRENSA in Spanish 10 Jan 84 pp 1, 10

[Text] Defense Minister Dr Raul Borrás announced that the period of compulsory military service, now 1 year, will be shortened to a time that will range between 3 or 4 months and that the drafting of citizens who must fulfill that obligation will also be reduced by approximately 15 percent.

He also announced that the General Directorate of Military Construction [DGFM] will be headed by a civilian and that the present subsecretary of production for defense, Dr Raul Tomas, will be appointed for those functions.

He also announced that between today and tomorrow the Armed Forces Supreme Council will be formed--one of its members is being replaced because he has finished his term, and another two excused themselves for different reasons.

State Companies

Dr Borrás made these statements in the Press Room of Government House after a meeting he had with the president to consider the status of the state companies, which as is known, have now become subordinated to the Ministry of Defense.

Minister of Public Works and Services Engineer Rocque Carranza; President of the Central Bank Dr Enrique García Vázquez; Secretaries of Finance and Industry Norberto Bertaina and Carlos Lacerca, respectively, participated in that meeting.

Minister Borrás explained that a general analysis of the problems of state companies, which have now been placed in the area of the ministry in his charge, was made in it, saying that the group of companies "is going to be at the service of the country as a whole." and that from now on "the other political sectors of the government, who have something to do with the management of those companies, such as the Ministry of Labor, in terms of wage scales; the Secretariat of Commerce, in terms of the policy of prices; the secretariats of Economy and Finance, in terms of the financing which must be established and the Secretariat of Industry, will also participate in these types of meetings and will collaborate permanently with the Ministry of Defense.

With respect to the deficits of the companies which have now come into the orbit of his ministry, Dr Borrás said that he does not yet have figures because the management of them has not as yet been established, something that should take place during the course of this week after the appointment of the respective managers.

He said that the general manager of Military Construction will be the present subsecretary of production for defense, Dr Raul Tomas. This does not mean, however, that a new structure is going to be built around that subsecretariat for the supervision of the companies but rather that Dr Tomas is going to exercise control over 13 military establishments and more than 20 companies.

With respect to the assignments for filling technical positions, Borrás said that "for all positions, including the technical, the only thing that will be required shall be capability and efficiency as is established by the National Constitution."

He declared: "In no way can this action of appointing civilians in those companies be taken as an encroachment of military authority; it is simply putting things in their place. Injustice existed before when a civilian could not occupy certain executive positions and now civilians and military are going to be on an equal footing for assuming the management of any company."

He admitted the possibility that some companies may be turned over to private management and said that some of them are undergoing liquidation but that each case must be individually studied.

In answer to a question, he said that the number of personnel employed in Military Construction is approximately 14,000, to whom must be added the personnel of SOMISA [Argentine Iron and Steel Joint Association] and some other companies and he said that "in no way" is there the danger that there will be dismissals in those sectors.

Military Service

With respect to the reduction in the period of compulsory military service, he said that he is studying the possibility of it being limited to from 3 to 4 months and that the callup of people may be reduced by 15 percent, which would affect approximately 80,000 citizens.

Supreme Council

As to when the Armed Forces Supreme Council would be formed, he said that it is a problem that will be resolved between today and tomorrow because one of its members, who has concluded his term, has not yet been replaced and two others must be appointed to take the place of two who have resigned.

He explained that for the first time the president of the nation, without giving up the authority he has to appoint the members of that body, wanted those positions to be filled "in such a way that he would not be judge and plaintiff," and for that reason the chiefs of staff of the navy and army, to which services those who must be replaced belong, were asked to draw lots and appoint the men to perform those functions.

He added that such a drawing was held last Friday and that the decree of appointment will be issued in the coming hours.

Rationalization

He was asked whether the costs required by the maintenance of the armed forces intelligence services would be rationalized, to which he replied: "The entire defense budget is going to be rationalized; there is no doubt that the budget must be rationalized without placing the sovereignty or security of the country in danger. The intelligence service, like the rest, shall also be rationalized and for this we will be transferring those responsibilities to SIDE (Secretariat for State Intelligence) in the degree that it can be done without placing in danger, of course, the necessary intelligence the country must have and the necessary information the president of the republic must have."

Finally, with respect to the possible transfer of large battle units to places far away from the urban centers, Minister Borrás said: "All that is going to be studied but nothing has been decided yet because there has been no time for it. However, the fact that some measures of that type will be taken such as the 'deactivation' of the IV Army Corps based in La Pampa, must not be discarded."

Defender of Galtieri

Argentine news agencies yesterday disseminated the following information:

"Former Commander in Chief of the Army Leopoldo Galtieri appointed Gen Hector Iglesias as his defender in the trial of the Armed Forces Supreme Council for the repressive methods used in the antisubversive struggle.

"General Iglesias was secretary general of the Presidency during the term of Galtieri, having served previously as subsecretary general of the army.

"Galtieri's defender was promoted to general 11 December 1979 and belongs to the communications branch, the same branch as the former president."

Elsewhere, the secretary of the Armed Forces Supreme Council, Col Jorge Gonzalez Ramirez, said to NOTICIAS ARGENTINAS that the high military court "is continuing the process of the trial which is being held for those responsible for the war of the Malvinas."

As far as the trial begun of the nine former commanders in chief for the excesses of the antisubversive war, Ramirez said that the Supreme Council finds itself "in a period of study of background and the collection of information." Ramirez rejected the idea that for the time being there could be "important news" with respect to the trial of the former members of the first three Military Juntas.

With respect to the defenders, one story had mentioned Gen Carlos Senorans as the possible defender of Galtieri, which was denied by a high military source.

Early Discharges

Buenos Aires CLARIN in Spanish 11 Jan 84 p 11

[Text] The minister of defense announced yesterday that some of the drafted soldiers of Class 1964, who are now performing their compulsory military service, will be discharged next July at the end of the training period, while the rest will serve the period initially stipulated by military authorities.

The measure, which is the "first partial release" of the year, would be made on the basis of a drawing among the conscripts and would affect a significant number of soldiers, unlike previous classes whose first release was decided selectively and for a small number of personnel.

The announcement, made by a Ministry of Defense spokesman, in practice means "an effective reduction" in the period of military service advocated by President Raul Alfonsin during his electoral campaign and repeated last evening by Minister of Defense Raul Borrás.

Borrás said yesterday that this year, unlike that which was foreseen initially, only 30,000 young men will join the ranks of the armed forces instead of the 100,000 initially foreseen.

The spokesman said that after the partial releases announced, there will remain on active duty for the usual period of service those conscripts assigned to the handling of heavy weapons and the members of the infantry units of the various branches.

The minister of defense also said in statements to the press that the government plan for shortening the length of compulsory military service to periods no longer than 4 months, unlike the 12 months required now, will be revealed in coming days.

The measure, which also stipulates a progressive reduction in the number of conscripts to be called to fill future drafts, responds to the idea maintained by the present authorities in the sense of achieving a complete professionalization of the armed forces, confided the spokesman.

This idea, according to the statements by the official, is aimed at structuring the national defensive system in such a way that in case of need, any war emergency may be faced, at least initially, with regular personnel made up of men with the rank of corporal on up.

"That," said the informant, "does not abolish the need for the rest of the citizens to receive the training necessary for obtaining the basic knowledge of military behavior so that they may, if required, become elements of relief for the permanent forces of the military structures."

The new concept for military operation does not, however, stipulate changes, at least for the time being, in that which refers to the age at which citizens must answer the call for fulfillment of military service established at 18 years in 1973 by the then President Alejandro Lanusse.

GOVERNMENT'S INTENTIONS CONCERNING MILITARY DISCUSSED

Buenos Aires CLARIN in Spanish 15 Jan 84 pp 12-13

[Commentary by Joaquin Morales Sola: "The Nucleus of Military Policy"]

[Text] The military question is moving along trails which are neither to the government's liking nor benefit.

Bignone is not the general President Alfonsin wanted to see in prison in the first place, nor is Aguado Benitez the military chief capable of leading an extremist group which does not believe in democratic order.

It is not necessary to read the statements by Aguado Benitez to discover the sin because the sin resides in the statement itself.

Perhaps the most serious thing he has said is that he does not believe there were excesses in the fight against subversion. In addition to the obvious realities, there is the official opinion of his commander, the president of the nation, who accused three military leaderships of homicide and torture.

He also said that he is distressed by the situation of Bignone, and in that he perhaps shares a sentiment with the president himself, according to what he said in his press conference.

But nothing is more important than the fact that he sat in front of three newsmen and allowed himself to be carried away by political language; he spoke as a statesman and not as a professional military man.

Radical irritation grew wildly until it reached the offices of the president. He did not want to impose exemplary punishment on Aguado Benitez, perhaps because he knows the democratic thinking of that general who is in the front ranks of the present uniformed leadership. "He is a good person who made a mistake," said official sources.

But at the summit of power it was agreed that there was a need for symbolic gestures which would not waste this experience. The minister of defense immediately called the military chief and after speaking to him for almost an hour, Aguado Benitez issued a document he had brought with him in written form: he confirmed his total subordination to constitutional power resulting from the last elections: "perhaps the cleanest of Argentine history," he exaggerated.

The action by Aguado Benitez could only be in response to two reasons: It was really a confidence of his individual ideas revealed in an intimate and informal climate or, on the other hand, it was a political decision for placing himself at the head of some internal opposition movement of the military.

The latter possibility appears simply to be one which can be eliminated. No active duty general has the political space for attempting such a pirouette without his dismissal appearing clearly drawn on the nearest horizon.

The possibility of success of a military rebellion is, moreover, less than zero and they know it for more reasons than the civilians.

Locked into a blind alley, an action of opposition would have appeared more as a suicide than a political decision.

Innocent political confidences have to do with something else. A month does not appear to be too much time for some military chiefs to allow themselves to be caught up in the moment of their participation.

The government considered the ban on active duty military chiefs talking about things that do not concern them as being tacit, censorship, however, should have been explicit after that episode, to which others have been added by Army Chief of Staff General Arguindegui himself, who has just finished greeting the foreign press.

Indeed, two different styles are appearing between the present military chiefs. One is that of General Arguindegui, closer to the notorious public presence the uniformed chiefs had in recent years when they controlled power in Argentine.

The other style is that of General Fernandez Torres, chief of the Joint Staffs and the only officer who will have the rank of lieutenant general, the highest rank of the army. Fernandez Torres has locked himself up in his military offices to work on the reform of the armed forces and has not been seen or read since he assumed the position.

This officer, who acts as the chief of operations of the armed forces, has become the first to understand that the system which holds power has been changed and that the silent work of its chiefs could help the armed institutions to emerge from the morass in which they were left by the previous system.

It is not necessary to go to extremes in dealing with that about Aguado Benitez, but neither should it be considered with political naivete. Surely not organized, perhaps even involuntary, the action of that general in some fashion reveals a certain military unease at what is happening with the review of the past.

It is even known that Minister of Defense Raul Borrás has just met with a group of generals in the Army Headquarters building, where he spoke at length on the trials and investigations underway: "There is no intention of harming the armed forces, only that of punishing those who committed crimes," he told them.

Those at the meeting later said they were "very tranquil" because of Borras' speech and that they had suggested to him that he visit the garrisons and speak in the same manner, a decision which at any rate had already been made by the minister before taking office.

What is happening is that the review of the past has been imprisoned in a legal vacuum, which actually is no such thing. The law of amnesty is not effective now nor are the reforms of the Code of Military Justice approved: the uniformed chiefs are, therefore, in the hands of civilian judges.

The changes in military law became bogged down in the Legislature, where Peronism presented its own plan, which directly places civilian judges in the military courts. This means that it in fact nullifies military justice.

Spokesmen for the Peronist bloc of deputies had let it be seen that the subject is a matter for discussion with linkage to other projects of the Radical government.

Radicals and Peronists have committed different errors on a matter where long talks should have prevailed because it tends to strengthen the system the Argentines have just consecrated as their own.

The Radicals were mistaken when they opened the package and separated the previous amnesty law from the reforms to military justice. The break led to the present legal vacuum and the subsequent agitations about which the government shows its displeasure.

The Peronists forced the impossible mixing of water and oil. There are subjects on which there may be dissention but they are not matters for ordinary negotiation.

The senators of the Peronist bloc themselves are not convinced about the plan pushed by the deputies of their party, although they do not want to appear distanced from their ideological peers.

This presupposes the possibility of feverish negotiations in the Senate. However, the solution will take them some time because they prefer to concentrate on "legal clarity" after so much scheming, and because--this is also true--they maintain certain differences on some specific points.

Up to now the strong point of the senators has been that of calming the agitated and nervous climate which preceded and accompanied the discussion in the Chamber of deputies. It is no secret in the upper chamber that the senators of the provincial parties and the Justicialistas themselves, will make it possible for the official initiative--with reforms--to become a law.

At any rate, it has been an interesting experience for the new legislature. The next time the Peronist deputies will have to find out what the senators of their party are thinking before undertaking novel enterprises.

The prosecution and punishment of the military chiefs who governed Argentina do not have the capability of shaking the military.

None of the nine men who made up the military juntas--and some others guilty of unconcealable excesses--will be able to avoid the severity with which the Armed Forces Supreme Council is preparing to judge them.

Unease appears to flourish when the judgement appears to have no limits. There may even be a commitment by certain members of the officer corps to publicly express their support for accused officers when they hold the rank of lieutenant colonel and lower.

A case which is perhaps indicative of this situation may have been that of the episode--a mixture of support and rejection--protagonized by Lt Col Mohamed Ali Seineldin, when he appeared to make a statement in a case opened because of the disappearance of a person.

Seineldin is the visible leader of the hardest sector of the army, a veteran of the fighting in the Malvinas War. He has been nominated for promotion to colonel but reliable sources say that he will neither be promoted nor retired. He will maintain his present rank of a lieutenant colonel on active duty.

Sensible statements by political circles--headed as of now by the government--advocate the trial of the leadership and the exculpation of the bulk of the officer corps who follow orders.

The other alternative, they admit, leads to the desintegration of the armed forces and there is no alternate plan nor the desire to have one.

It would not be strange, therefore, if some legal arrangement were to protect the officers from a certain rank on down, modifying the tests so that in such cases it would have to be demonstrated that someone was guilty of excesses to be taken before military courts now.

The military is in no position to change things nor to exert pressure, but reliable sources believe that in some sectors there could be the search for extremist solutions for expressing themselves. That is why a careful watch has been kept on the attacks on Jewish temples and certain telephoned threats to legislators, who are specifically dealing with military problems.

The synagogues have always been the first targets of right-wing terrorism. The attacks up to now have been minimal and mean but it must be made clear whether that was all or just the beginning.

The government has reacted with the vigor demanded by the attack on a large national group. It not only broadly rejected the attacks but also ordered the immediate protection of the Jewish temples and schools.

From the other extreme of the scene, in the very hallways of the courts, there was surprised comment on the events which took place when the military chiefs went to make their statements. The authenticity of the persons who lost control and opted for aggression is not questioned: Argentina has extensive pockets of sectors who were offended by the military administration.

A question sign was left hanging by the fact that the exact dates and times of the statements by the military chiefs were broadcast. The results were always the same: a show was presented where there was a tragedy.

These extremes have infected Argentina with sectarianism, something it rejected whenever it was able to express itself. It is well to identify them so that the majority will not be scattered like ashes in the wind.

The president has just finished building some bridges in his recent and first press conference. He did so with Peronism when he said that he is sure of achieving a method for coexistence with the opposition, and he did so with the armed forces when he suggested that the sterile antagonism between civilians and the military be ended.

However, the most important announcements by Alfonsin were focused on international policy: he said that there will be nuclear treaties with all neighboring countries (and Brazil is the most outstanding case because it is the one who is further advanced in the nuclear technological process); he confirmed the possibility of a rapid solution of the controversy with Chile and he appeared sure that negotiations on the Malvinas will be reinitiated soon--"Mrs Thatcher has taken a step forward," he said in a message which had a specific addressee, and he expressed himself with cautious words on the Central American crisis.

One obligatory question of the past 48 hours was about the impression made by the first appearance before the press by the President. There was talk of errors in the organization of the encounter and it was also said that Alfonsin should have refused to answer certain questions which were really in the subsoil of the political level.

An analysis of the encounter should be done not only by the president but also the other participants in the meeting: the newsmen. The mirror tends to reflect implacable images.

One who attended the conference and attracted the attention of the foreign press was newsman Jacobo Timerman. The last time he entered Government House he did so in handcuffs, taken there from prison by the then Minister Harguindeguy. "This is already a reparation," he was heard to say.

There may be an agreement between Timerman and the government for the indemnification for property confiscated during the military government. The former director of LA OPINION, as well as the Alfonsin Administration, prefer to avoid a suit against the state for the return of that property.

Timerman hopes not to be involved in long legal processes and the Radical government does not want to assume the obligation of defending the state, making an implicit defense of the confiscations of the military government. Timerman would not reclaim the property but rather what it cost and the subsequent lost profits.

A similar agreement would be sought by the government with the Graiver family and with other economic groups who are in a position to make claims on the state for past arbitrariness.

The men who work around the president state that they see him worry about the development of the economic situation. He has ordered an inventory of the inheritance so that within some months there will be no confusion as to who is guilty.

They say that he is using his mealtimes at Olivos for speaking on the subject with officials of the government and with persons who are not officially placed. He has just had a long dinner with a handful of prominent businessmen.

He also talked with political factions other than his own--Felipe Sapag and other Peronist governors--and is about to appoint Engineer Alberto Costantini, a moderate liberal, who thought about his answer to the offer for a week, as director of the National Atomic Energy Commission.

Although the men around him may not accept it, he is working for the long term, so that when the smoke clears, the reason for this strength will be seen: the success of his fundamental work and the balance of the political function.

History tends to meander but at some time it will return to the center of things.

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PINDLING MAKES 'BUSINESS' TRIP TO UNDISCLOSED SITE

Nassau THE TRIBUNE in English 13 Jan 84 p 1

[Text]

PRIME Minister Sir Lynden Pindling is off the island on "business" and the Cabinet office has refused to say where he is.

The Prime Minister's secretary, Mrs Smith, was contacted by The Tribune today for information as to why the PLP Government has not celebrated its 17th anniversary marking the take-over of government from the United Bahamian Party in the 1967 elections.

Usually this historic event is celebrated with much pomp and pageantry by the PLP. However this year January 10th passed without even a mention by the PLP government.

While trying to get information as to why this anniversary was overlooked this year - the year of the Royal Commission investigating allegations that certain politicians have been paid to protect drug smugglers - The Tribune contacted PLP Party Chairman Brenville

Hanna. The question was put to Mr Hanna who quickly responded:

"I am the party chairman. The PLP party celebrated their anniversary in November. The PLP government's anniversary is January 10th. If you want to find out why they haven't celebrated their anniversary you have to contact the Prime Minister," Mr Hanna said.

So the cabinet office was contacted. Mrs Smith was asked to make a statement as to why the anniversary was not celebrated. She said that she did not know and that the Prime Minister was "away."

Mrs Smith was asked where the Prime Minister was. She said, "I would prefer not telling you."

She was then asked if the Prime Minister's trip was private, personal or business. There was a small laugh before Mrs Smith answered, "business."

MINISTER OF AGRICULTURE MUM ON POSSIBLE RESIGNATION

Nassau THE TRIBUNE in English 16 Jan 84 p 1

[Article by Marcia Bethell]

[Text]

MINISTER OF Agriculture George Smith today refused to confirm or deny that he has handed in his resignation to Prime Minister Pindling after a "stormy" Cabinet meeting this weekend, although the rumours still persist throughout the city.

Contacted late this afternoon at his office, Mr Smith was asked whether the rumour that his resignation was handed into the Prime Minister was true or not.

Mr Smith refused to answer the question telling the reporter to "check with the source of your report" to find out whether it was true or not. Asked repeatedly to confirm or deny the report, Mr Smith refused to do so. He then hung up the telephone.

Several minutes later Mr Smith telephoned The Tribune to apologize to the reporter for hanging up on her. He was again asked to confirm or deny the report and refused to do so.

For several weeks, since he appeared before the Commission of Inquiry, rumours that Mr Smith, under heavy pressure, had resigned, spread like wildfire throughout the island.

During the morning Mr Smith could not be contacted. At first he was on the telephone, and then he was out. In attempting to confirm the report, Mrs Lourey Smith, wife of the Minister was contacted at her office in the firm of McKinney Bancroft & Hughes.

She was asked the whereabouts of her husband and replied "I have no idea." She was then told about the resignation report and asked if she could confirm it. She replied "I don't know, you will have to check with Mr Smith about that." She was told that a reporter had spent all morning trying to locate Mr Smith but was unable to do so. She was then asked for their home telephone number to see if Mr Smith could be reached there. She told the reporter: "I'm sorry, I can't give you the number."

Attorney Anthony McKinney, representing Mr Smith in Commission of Inquiry matters, was also contacted and asked about the resignation report. He replied that he could not confirm it, nor had he any knowledge of such a report.

Dr Elliston Rahming, special assistant to the Prime Minister, took a phone call for Cabinet Secretary Margaret McDonald who was in a meeting. Dr Rahming was asked: "Has the Prime Minister accepted Mr Smith's resignation?" to which he replied: "I didn't know that Mr Smith had offered it."

Also checking with Government House about the report, Mrs Juliet Barnwell, Sir Gerald's secretary was asked the same question and replied, "I know nothing about it." She mentioned that Sir Gerald is off the island.

Unconfirmed reports reaching The Tribune today are that Mr Smith handed in his resignation to Prime Minister Pindling several weeks ago. However the Prime Minister at that time, refused to accept it. Reports today, however, are that after weekend meetings, there was a split in the Prime Minister's Cabinet between those who felt the resignation should be accepted and those who didn't. Unconfirmed reports are that Sir Lynden, "under pressure", was finally forced to accept.

It is also understood - but not officially confirmed - that the American government has agreed to cooperate with the Royal Commission of Inquiry. Chief Counsel to the Commission, Mr Robert Ellicott, QC, appealed publicly only last week to the American government for its cooperation.

Other unconfirmed reports reaching The Tribune today were that Mr Smith was expected to appear before the Commission of Inquiry today. A special mention was made over ZNS' 1 pm news report that crowds had arrived at the Commission expecting to hear Mr Smith give evidence. However, he was not called.

Recent evidence surfaced before the Commission claiming that two BMW cars were purchased from Miami and imported into the Bahamas in 1979, the first by a Colombian named Carlos Hoyos. It was claimed that this car was meant to be a gift to Mr Smith from the people of Norman's Cay. It was taken through customs and

registered in the name of Mr George A Smith.

According to the evidence, the second BMW was purchased several weeks later and \$25,000 was paid for it in cash. According to evidence a "false invoice" was produced in the name of Mr Smith's wife placing the value of the car at \$20,000.

When questioned about the BMW car during his evidence before the Commission on December 10, Mr Smith said that he paid for a BMW car which he gave to his wife two months before they were married. He said he paid cash for the car and that he purchased it with cash on hand, partly from proceeds from the sale of his Cable Beach apartment and partly from money borrowed from a friend and relative. He denied going to see Joe Leher on Norman's Cay or that he received a large sum of money from Leher to get him off the immigration stop list.

In later evidence given at the Commission by Inspector Christopher Wells, an investigator for the Commission from the Australian police force, it was shown that Mr Smith's Cable Beach apartments were not sold until January 1980. However, Mr Hubert Ingraham whose law firm acted for Mr Smith in the transaction, explained the circumstances surrounding the sale. (See story page 4). The BMW was bought in 1979. Mr Smith's cousin, Lester Smith, also gave evidence that although he had loaned the Minister money it had never exceeded \$2,000.

PINDLING, IN RADIO INTERVIEW, COMMENTS ON CURRENT ISSUES

Relations with U.S.

Nassau THE TRIBUNE in English 14 Jan 84 p 1

[Article by Athena Damianos]

[Text]

PRIME Minister Lynden Pindling said over ZNS radio last night that relations with the United States have "definitely" improved since the appointment of an American Ambassador in March last year. But, the problem over bank secrecy remains a major disagreement with the US.

His major disappointment in 1983 was "the total failure or refusal of the National Broadcasting Corporation to produce any significant evidence or any evidence at all really to substantiate the claims it made on September 5..." NBC accused certain Bahamian officials, "including the prime minister," of accepting \$100,000 monthly pay-offs to protect a cocaine operation at Norman's Cay.

Although Sir Lynden indicated an improvement in relations with the US, it is understood that negotiations for the lease of the AUTECH military base in Andros - which have been going on for 10 years - came to a halt after the September 5 allegations. The Tribune also confirmed this week that a Bahamian policeman's four-week DEA course in Georgia was cancelled by the Minister of Foreign Affairs following the NBC accusations.

Sir Lynden, who was being interviewed on the ZNS radio programme Mary's Notebook, was also disappointed with the US Justice Department's failure to say whether or not they did give information of any kind to NBC and with "the lack of assistance from many US Federal agencies to render full assistance to our present Royal Commission of Inquiry."

"I think in sum total those were my big disappointments in 1983, but we're going to manage anyhow...Life must go on nevertheless," he told host Mary Kelly. Sir Lynden has appeared on the radio programme annually for 17 years.

He said the Commission of Inquiry, appointed to investigate drug trafficking in the Bahamas and NBC allegations of Government corruption, would probably bring out some things "we knew about but wanted to hide."

"We would probably hear some things we would want to hear, we would probably hear some things we wouldn't want to hear and we'd probably hear some things we knew about but wanted to hide. And it may, it will in all probability be to the betterment or improvement of the Bahamas in the long run," he said.

Calling himself a "perennial optimist," Sir Lynden wanted Bahamians to appreciate that all countries go through some turbulence as they move from colony to nationhood, with many of them experiencing major disasters and civil wars.

"This is all we are going through so it's relatively painless. We're not experiencing any major social or civil dislocation," he said.

"Some feelings are going to be hurt. Some reputations will be called in question. But at the end of the day...the Commission will say we saw this, we heard this and we find so and so..."

He said that there was no doubt that "greater discipline would have to be brought to bear on public life in the Bahamas."

He said Government will accept the decision of the Commission. "It was our decision to appoint the Commission and it would be our decision to do what is necessary to (do)," he said.

Asked by Miss Kelly if relations had improved with the US since the appointment of Dr Lev Dobriansky as Ambassador to the Bahamas, Sir Lynden

responded:

"Why, yes. Definitely I have no doubt about that."

Sir Lynden told the Miami Herald in December, 1982, that relations with Washington had been "less than good" because of the absence of an American Ambassador in Nassau for nearly two years. He said at the time he had no doubt that relations would improve "dramatically" within 30 days after the appointment of a new Ambassador.

Dr Dobriansky has on a number of recent occasions referred to the NBC allegations as a regrettable "fantasia."

Asked by Miss Kelly if there were any major disagreements between the Bahamas and US, Sir Lynden singled out Uncle Sam's pressure to soften the

Bahamas bank secrecy laws.

He hoped the problem "of how we are going to reconcile our position in banking secrecy with the American's position to ignore it" could be resolved this year. However, he warned that the problem might drag out to 1985.

Sir Lynden listed the Bahamas, the Cayman Islands and the Netherland Antilles as the

"three prime targets" in the bank secrecy war.

"We are the most outspoken of the three, largely because the Cayman Islands are still a colony and can't speak for themselves and the Netherland Antilles are still Dutch possession and cannot speak for themselves," he said.

Sir Lynden feels he has detected in the later part of 1983 there were signs that may suggest that the US is now more willing to sit down and negotiate an agreement which would allow for a mutual exchange of information on criminal matters.

He said Americans still want to use secret bank accounts for proper reasons and from the business point of view there is no reason why this practice should not continue.

"But, I think we have said that we are prepared to talk and negotiate. They have not indicated a willingness to sit down and talk to us like they did for the Swiss. For what reasons that is we can only speculate and they have not spelled the reason out," Sir Lynden said.

Casino Policy

Nassau THE TRIBUNE in English 14 Jan 84 p 1

[Article by Athena Damianos]

[Text]

GOVERNMENT intends to bolster the tourist industry by "expanding (its) casino policy," Prime Minister Lynden Pindling said over national radio last night.

Sir Lynden predicted that if tourism remains healthy, the new Cable Beach Hotel will "not lose money" in its first year of operation. He also said that by mid-year, Government would announce a major redevelopment programme for the Emerald Beach Hotel property which would signal the second phase of the development of the Cable Beach strip.

He saw the completion of the Cable Beach Hotel as one of the highlights of 1983, and as a political and economic victory.

"If things remain more or less as they are, the (Cable Beach) Hotel will establish a record and not lose money in its first year of operation," he said.

"We endeavour to bolster that by expanding our casino policy which is proving to be quite beneficial because already I have received two new propositions for multi-million dollar tourist developments and

I'm expecting a third by the end of next month or early this month."

Asked by host Mary Kelly later in the show to name the projects, he spoke about the Emerald Beach project. The hotel is also Government-owned.

Sir Lynden, who while in Opposition strongly opposed casino expansion, did not elaborate on his plans for an expanded casino policy. However, he told the 1982 PLP Convention that he would double the number of casinos operating in the Bahamas to six.

His plan to spread casino gambling in the Bahamas was criticised by most of the churches.

Sir Lynden said he's been "rather disappointed" with Investors Group International, a mysterious Middle Eastern group which planned to turn part of Coral Harbour into a holiday spot for the jet set. Georges Jabbour, a Lebanese businessman, announced two days before the June 10, 1982 general elections that the group would spend \$300 million on a multi-touristic complex. Since then there have been spurts of activity at Coral Harbour.

"I've been rather disap-

pointed in that particular developer. He had more talk than action. But, there is another proposition in its preliminary stages now and we are giving consideration to that and if that proves to be right, we go with that," he said. The new proposition involves a major, multi-million dollar development plan, he added.

Sir Lynden said that the original project envisaged the move of the Defence Force from Coral Harbour, but this would not be necessary under the new proposition.

He said the Lucayan Beach Hotel and Monte Carlo Casino will soon open after prolonged

renovations and there is an agreement with an operator to manage the complex.

Sir Lynden also said the Free Trade Zone will come on stream in New Providence this year. Asked if he thought most Bahamians knew what the zone was, Sir Lynden replied:

"I'm not worried about that now. I've told them about it. They're not going to believe what I say now until they see it. They will understand it when they see it. It means a place to work and they will be producing goods, or assembling goods or packaging goods and the goods would have come in free of duty. That's what it really boils down to."

Views on Bahamasair, Banks

Nassau THE TRIBUNE in English 17 Jan 84 p 1

[Text]

BAHAMASAIR, which has been the target of recent criticism, came under fire again last week, this time by the Prime Minister.

Prime Minister Lynden Pindling, appearing on the radio programme Mary's Notebook January 12, said that while the national carrier doesn't get credit for the job it's doing, Bahamasair staff have got to learn to treat their customers properly.

"Bahamasair has got to get with it. It's staff have got to be less lacadaisical. They've got to go after business; they've got to treat their customers right and they've got to be on the ball. Wipe those surly faces away and put on some smiles and give proper passenger service. But, I think we'll get there," he said.

Sir Lynden didn't think it was fair to only criticise Bahamasair about its financial performance when other airlines, like Eastern and Air Florida, didn't do well financially.

He said it would take a general economic upturn "to produce the extra bodies that Bahamasair can carry," between Florida and the Bahamas. However, he predicted that Bahamasair will do better as the tourist economy upturns.

Sir Lynden also agreed that criticism about government bureaucracy was valid and that the relevant governmental agencies must respond more quickly and efficiently in the handling of economic projects and business applications.

He was happy with growing Bahamian participation in business, but thought that the banks should update their lending policies.

"Banks have got to update their thinking and make available some capital to Bahamians who want to go into production enterprise and not just the service enterprise, like the banks have been accustomed to all along," he said.

TANKS, RIFLES, AMMUNITION TO BE SHIPPED TO MOZAMBIQUE

Sao Paulo FOLHA DE SAO PAULO in Portuguese 19 Jan 84 p 23

[Text] A total of 90 military tanks from ENGESA [Specialized Engineers, Inc] and eight containers carrying rifles and ammunition will be shipped to Africa via Santos, on the Brazilian vessel "Nicia." Although produced by ENGESA and other companies dealing in weaponry, the exports are being handled by the Engex Exporting Co, Inc, a trading company (foreign commerce firm).

The port of destination for this materiel is Beira, in Mozambique; however, this does not necessarily mean that the total shipment will be for this African country. Although the rifles arranged in containers have Beira as their port terminal for unloading, they are bound for Zimbabwe, as was shown on the wooden crates before they were placed in the containers.

Last Friday, 13 January, three trucks with license plates from Itajuba, Minas Gerais, brought wooden crates containing rifles produced by IMBEL [Ordnance Industry] (a weapons industry associated with the Ministry of Army and with several plants in certain Brazilian states). The crates also had a notation of the net weight of 110 kilograms and the gross weight of 148 kilograms, as well as the dimensions of 12.7 decimeters by 5.5 decimeters by 4.9 decimeters.

The unloading of the crates carried by the trucks to a transportation storage facility, properly licensed and authorized by the Army, was heavily guarded by soldiers. Subsequently, the crates were placed in containers, also under guard. The port of Santos is a regular outlet for military tanks from ENGESA, Arms and Ammunition.

The secret use of the port of Santos as an outlet for weaponry exported abroad is a reflection of the international trade policy for the sector adopted by Brazil. (In November 1982, the American newspaper CHRISTIAN SCIENCE MONITOR reported that Brazil had built the largest and most advanced arms industry of the third world countries, and that weapons were on the way to becoming the leading export item for our country.)

Brazil is currently exporting weaponry to over 30 countries in Latin America, Africa, the Middle East and Southeast Asia. Regarding the national sales policy, Aeronautics Minister Delio Jardim de Mattos stated: "Brazil's arms industry produces to sell. If a client from the Soviet Union, Japan or China shows up wanting to buy, we shall sell."

2909

CSO: 3342/60

EFFORTS TO INCREASE TRADE WITH IRAQ DISCUSSED

Rio de Janeiro GAZETA MERCANTIL in Portuguese 19 Jan 84 p 5

[Text] Yesterday, Foreign Affairs Minister Saraiva Guerreiro cited the solution to the extra expenses incurred by the Brazilian firms operating in Iraq (Mendes Junior and Esusa) as a necessary condition "for the satisfactory progress of relations between the two countries." This statement was made in an address directed at the Iraqi minister of foreign trade, Hassan Ali, who came to Brazil heading a delegation to attend the meeting of the bilateral joint commission which opened yesterday at Itamaraty.

After the initiation of the work of that commission in the morning, Minister Hassan Ali dealt with a full agenda lasting all day. He was received in a meeting with President Figueiredo, and was honored at a luncheon by the minister of planning, Delfim Netto, the minister of industry of commerce, Camilo Penna, the minister of finance, Ernane Galveas, and the minister of foreign affairs, Saraiva Guerreiro, no less.

At the individual meetings that Hassan Ali held with each of those ministers, there was a discussion of means for increasing commercial exchanges, which are considerably on the deficit side for Brazil, based on purchases of Iraqi oil with an annual value of nearly \$2.5 billion, the equivalent of 160,000 barrels per day.

For example, Camilo Penna is attempting to convince the Iraqi Government to increase its purchases of Brazilian iron and steel products, which underwent a significant decline from 1982 to 1983. During the first year, Iraq imported 131.5 tons, worth \$32.9 million; and, during the second year, only 37.9 tons (as of September), valued at \$6.8 million. At the private meeting with Hassan Ali, Minister Camilo Penna also discussed sales of Brazilian poultry which, almost from one year to the next, have been threatened by the action of North American producers claiming a part of the Middle Eastern market for the product.

The meeting of the joint commission, which ends late this afternoon, will produce a protocol on bilateral economic cooperation in which there will be recorded the details on the areas and projects relating to Iraqi development wherein there are conditions for Brazilian participation. According to

Ambassador Paulo Tarso Flecha de Lima, chief of the Trade Promotion Department at Itamaraty, there are 11 projects of this kind to be executed by Iraq. Although no decision has been made as yet, Mendez Junior's participation in one or two of the projects associated with the construction of bridges, airports and infrastructures is being discussed.

On the issue of the extra charges faced by Mendes Junior and Esusa, there is already a verbal consensus which, at the end of today's meeting, may result in a formal agreement between these builders and their Iraqi state clients. It is estimated that the total compensation for the special expenses based on the Iran-Iraq war amount to \$300 million, most of which is owed to Mendes Junior.

Of the 620,000 barrels of oil per day imported by PETROBRAS [Brazilian Petroleum Corporation], virtually a quarter, or 160,000 barrels, comes from Iraq, which makes the latter Brazil's major supplier. In addition to the business associated with oil, the Brazilian state has relations with that country on two other fronts: Its subsidiary, INTERBRAS [Petrobras International Trade, Inc], is a traditional exporter of Brazilian products to the Iraqi market; and BRASPETRO [Petrobras International, Inc], which was responsible in the past for the discovery of oil in two fields, is a supplier of services and technical assistance in the oil-producing area.

Neither BRASPETRO nor INTERBRAS has any claims on business with that country, nor do they have accounts receivable in arrears, as the vice presidents of the two companies, Wagner Freire and Lauro Vieira, disclosed. For example, this year, INTERBRAS intends to export to Iraq the equivalent of \$100 million, with the marketing of products from the soybean complex (oil, bran and grain), sugar, canned goods, iron and steel, machinery and equipment.

In fact, when the negotiations that will result in that sum have been confirmed, INTERBRAS will be significantly increasing its participation on the Iraqi market. In 1981, its sales represented \$17.8 million; in 1982, they totaled \$15.5 million; and in 1983, they amounted to \$38.6 million. Up until that time, the bulk of the Brazilian state's business with Iraq related to iron and steel products, primarily iron bars.

Now, its range will be expanded, something which, according to Lauro Vieira, "is a sign that business is proceeding well." And one of its secrets is the financing terms (he did not give the figure) that are being offered for the sales by INTERBRAS.

BRASPETRO, in turn, has also been attempting to increase its space in Iraq, and one of the next steps will be its participation in the bidding on the construction of an oil pipeline that will go across Saudi Arabia and extend as far as the Red Sea. At present, the business of this state firm with the Iraqi Government, through the Iraq National Oil Company (INOC) and the State Organization for Oil Projects (SCOP), is confined to the rendering of services and technical assistance for projects involved in the production of oil in the Majnoon and Nahrumur fields, where it discovered oil during 1976 and 1978.

Moreover, this work is part of the commitment signed between the two parties after the cancellation of the contract for exploration and production of oil in the two fields. BRASPETRO, which participated in the production, has become a provider of services, receiving remuneration for this. In 1980, it received as compensation the equivalent in oil of \$180 million (or 11.25 million barrels of oil), and the guarantee for the purchase, at official prices, of 20,750 barrels between January and March of that year. The agreement between the two countries also resulted in the supplying, over a period of 13 years, of 160,000 barrels of oil per day at official prices. At present, PETROBRAS is importing exactly that amount from Iraq, but its purchases vary depending on the market conditions, because purchasing is not compulsory, only sales; so that, at the beginning of the war, Saudi Arabia, by virtue of agreements with Iraq, replaced it as a supplier to Brazil.

2909

CSO: 3342/60

NEVES, CHAVES MUTUAL SUPPORT PACT RUMORED; DENIALS

Setubal Cited as Liaison

Rio de Janeiro JORNAL DO BRASIL in Portuguese 23 Jan 84 p 3

[Text] Brasilia--Governor Tancredo Neves will be a candidate for the presidency of the republic in indirect elections if the campaign on behalf of the right does not bring results and if the winner at the PDS [Social Democratic Party] convention is Paulo Maluf or Mario Andreazza. Tancredo made this disclosure to at least two PDS governors and two federal congressmen in his strictest confidence.

Tancredo will not be a candidate in the indirect elections only if the one selected by PDS is Aureliano Chaves, a contingency wherein (according to the commitment already signed between the two, with the businessman and former mayor of Sao Paulo, Olavo Setubal, as mediator) the present vice president, after he has been elected, would promote a party reform and an extensive reform of the Constitution, consolidating a new political situation in the country.

Setubal

All the association between the vice president and the governor of Minas is being carried out by Setubal, a man closely linked with Tancredo, who recently approached Aureliano. He is also the link between Tancredo and sectors of PDS which do not accept the Andreazza and Maluf candidacies; and, finally, between considerable business sectors (primarily from Sao Paulo) and the political group that will emerge from the pact.

The movement is the germ of a new liberal center party, with slight left-of-center colorations which (the associators think) will be formed right after President Joao Figueiredo is succeeded. If the winner at the PDS convention proves to be Aureliano, the group will proceed with him in the Electoral College, receiving discreet (but strong) support from Tancredo. The Minas governor would avoid an indirect candidate from PMDB [Brazilian Democratic Movement Party], bound by the commitment to build the new party with the backing of moderate PMDB sectors, immediately after Aureliano's assumption of office.

Rebellion

If Aureliano loses at the convention, the associators will concentrate their efforts on the nomination of Tancredo as a PMDB candidate, encouraging rebellion among the PDS sectors that are currently backing Aureliano and congress members dissatisfied with the winner at the PDS convention (whether it be Maluf or Andreazza), whose "disloyal" votes in the Electoral College will be cultivated. Respectable PDS forces are included in the associating group, including three governors whose action will be essential further along.

Those governors will have the role of "acting aggressively with the PDS convention members from their states during the first phase, and with the PDS electors in the College during the second one. It would be then that the critical task of convincing the PDS electors in the Electoral College that Tancredo's candidacy has a chance for winning (because no one would run the risk of being disloyal only to lose) would be carried out. The role of the PDS governors in this respect would be essential, using every capacity for arguing that their positions afford them, within the area of their states.

Of the PMDB governors, only two (Franco Montoro and Jose Richa) are not taking part in the association, but will join it if the campaign on behalf of the right fails. What is being devised is an alternate strategy in case the direct elections should fail. In Sao Paulo, the association has been made with Senator Fernando Henrique Cardoso, and in Parana with former Governor Jayme Canet Junior.

The composition has reportedly not yet reached the governor of Rio, Leonel Brizola, and PDT [Democratic Workers Party]. Not that Brizola is being excluded, but the associators think that he should not be consulted until later, because at present he is in obvious confrontation with Planalto Palace; and because, later on, he will be the obvious beneficiary of the formation of a liberal party, since he would remain as the natural leader of a leftist party.

Businessmen

Prominent Brazilian business leaders are fully involved in the association, outstanding names being Antonio Ermirio de Moraes, Herbert Levy, Karlos Rischbieter and Angelo Calmon de Sa. Here again, Olavo Setubal has revealed his fitness: In addition to his well-known political skillfulness in devising associations, he has popular prestige (that will lend credibility to the association, when it is disclosed publicly) and moves freely among all the connected sectors.

Setubal's association and the proposal to create a new liberal party of the center were essential in convincing Tancredo to back Aureliano; because the Minas governor would not agree to give that backing if Aureliano insisted upon maintaining the party situation, since a president of the republic from Minas belonging to another party would lose his authority in Minas and would encourage confrontations between the former PSD and former UDN [National Democratic Union] in the state.

In the case of both, the alliance for the succession can be concluded only through the formation of a new party that will free the PDS sympathizers from the "Malufists" and "Andreazzists," and purge PMDB of the troublesome left. With both (Tancredo and Aureliano) in the same party, it would be easy to get around the difficulty in coexistence between the former PSD and former UDN in Minas Gerais. It seems quite clear to the movement's associators that the PDS convention, whatever its results are, will be the party's last one; because party reform to revamp the political forces during the post-opening period is inevitable with the succession.

Denial From Neves

Rio de Janeiro JORNAL DO BRASIL in Portuguese 24 Jan 84 p 3

[Text] Belo Horizonte and Sao Paulo--Yesterday, Governor Tancredo Neves said that there is no pact between him and Vice President Aureliano Chaves relating to the presidential succession, and explained that he could not be a candidate: "To be a candidate, I would have to eliminate my incompatibility before half my term was over, and there is no justification for that procedure."

Showing annoyance with the news published yesterday by JORNAL DO BRASIL, which he described as "totally lacking in grounds," the Minas governor admitted only that he had talked with banker Olavo Setubal, but he would not say on what subject. He claimed that the report contributed to a petty exploitation: "to benefit this or that candidate in the PDS area."

Engaged

"Is there a pact with Vice President Aureliano Chaves?" a reporter asked Governor Tancredo Neves at the end of a ceremony at Liberdade Palace yesterday morning.

"By no means," replied Tancredo, "not with Vice President Aureliano Chaves nor with any other person in the government. My line is the line of my party, and I shall remain steadfast in it until the last day of the succession."

The governor said that, at present, he is concerned with the direct elections and engaged in the campaign. "On the day that they become impracticable, I shall not be the one to devise a destiny for my party, but rather the convention, which is the party's sovereign organ. I am tired of saying this."

Another reporter wanted to know: "If the right wing groups do not turn out, and if the vice president wins at the PDS convention, would you support him?"

Tancredo declared: "My rule of conduct is devised by my party. I have no autonomous position in the matter; I am a party man and I follow what the party devises."

Before the interview, the governor conversed with his press adviser, journalist Jose das Dores Vital, who wrote a note denying that there were grounds for the

report. The note said that the requirement for the governor to eliminate the incompatibility less than halfway into his government term "makes any ambition to be a presidential hopeful, even if he had one, unfeasible." It claimed that Tancredo was engaged in the battle for the direct elections, and that "he has not had, and does not have any kind of understanding with public officials from the governing party, aimed at any kind of association."

The president of the Minas Legislative Assembly, Deputy Genesio Bernardino (PMDB), present at the Palace, said that he had no knowledge of the agreement "and until the contrary is proven," he believes that it is not a fact. But he defended PMDB's participation in the Electoral College with a candidate, if the battle for the direct elections is unsuccessful. He claimed that Tancredo Neves "is the major representative of the national policy and he will really have a chance" to become that candidate.

Setubal

In Sao Paulo, banker Olavo Setubal denied that a pact had been made between the vice president and Governor Tancredo Neves. He maintained that the report "stems from a maneuver by the candidate Paulo Maluf, who is creating in the press and the media the image of being already the winner at the PDS convention, so that all the association will be aimed with a view toward the Electoral College."

Setubal declared: "I consider that premise to be false, because there is nothing to convince me that he has already won at the convention. So, what there is is a candidate (Maluf), wanting to give the impression that he won so that the race will involve the winner and the 'Christianization' of the other candidates."

According to the banker, this technique "was used a great deal in the past." He reaffirmed his support for the Aureliano Chaves candidacy, claiming that he would follow "the strategy that he adopts as the one most suitable for success at the convention."

Setubal said that it would be easier to arrange an anti-Maluf front than to ignore the strength of the former governor of Sao Paulo's candidacy:

"It is no longer enough to ignore Maluf. He is a reality in Brazilian politics, but owing to his controversial action, he has divided public opinion, both in the election campaign and if he assumes the presidency. All of his political and administrative positions have aroused great controversy. Aureliano is the only candidate who can polarize public opinion."

Tres Pontas (MG)--Last night, Vice President Aureliano Chaves stated at his ranch that he and Governor Tancredo Neves are from Minas: "So, we are aware of our responsibility toward Minas and Brazil. Now, as for an understanding, a conversation or a political agreement, there has been nothing of the kind."

With regard to the creation of a center party, he stated: "For the present, no. I cannot say now what is going to happen in the future." He claimed to have always been faithful to his party, both to UDN, ARENA [National Renewal Alliance] and PDS; and he added: "I have no comment to make regarding what my conduct will be after my party's convention. I am not making any comment."

Aureliano Chaves noted: "I am going to my party's convention; and I am obviously going to make all the assessments of my political position during the course of the campaign. Only after my party's convention shall I speak out on my political position."

As for any changes in the party situation after the convention, he declared: "I shall not make any a priori statement. After all, both I and Governor Tancredo Neves realize our responsibilities toward our country and our state. This, naturally, should equalize both my political conduct and the political conduct of Governor Tancredo Neves."

When asked whether he had discussed with the businessman Olavo Setubal an agreement with the governor of Minas, he remarked: "No, what I received was backing, which was quite an honor for me, from Dr Olavo Setubal. But we did not hold any talk about this: the report in (JORNAL DO BRASIL)."

On the topic of consensus, the vice president claimed: "We must do things in stages. What is my concern at the moment? It is to procure the backing of the largest number of convention members in my party. That is my concern. For this purpose, I have made many contacts from here at the ranch. I am not resting here. I have a new operational base. I use it to be in touch with nature, which enables us to meditate better and to evaluate things better."

Before the interview, the vice president spoke on the telephone with Senator Albano Franco (PDS-Espirito Santo). When asked later whether he had been successful in the contacts with the convention members, he said: "Time will tell."

He continued: "I can tell you that the progress is better than I had expected. The receptiveness that I have found in the contacts that I have had with the convention members and with political leaders from other states has surprised me in some respects. Up until quite recently, I was aware of the strong support from the public in my country. I have no doubt about that. But I sensed that it did not have a counterpart among the convention members of my party. Since then, this situation has improved in a rather eloquent manner." Aureliano claimed to have sensed the improvement "from 20 days to a month. And events will confirm what I am telling you."

"But have you also talked with Governor Tancredo Neves?" the reporters insisted.

"I have not yet talked with Governor Tancredo Neves. For the present, I have nothing planned."

2909
CSO: 3342/60

BOGOTA TO GET MOUNTED POLICE FORCE

Bogota EL ESPECTADOR in Spanish 11 Jan 84 p 3

[Article by Esperanza Talero]

[Text] Bogota's security will be increased with the introduction of a new police patrol method: the Mounted Police. Therefore, "this is to be the year of security in Bogota," the government secretary, Marco Tulio Gutierrez Amat, said as he announced the initiation of the Mounted Police program, set up to safeguard for the citizens of Bogota the stability of their city.

This is a patrol method which is used in some countries of the world with particularly good results. Among them is Canada. Therefore, with the assistance of the Canadian Government the Bogota police force will be given access to the entire Mounted Police program.

"To this end we have, obviously, started off with the essential element, which is the horses. Thanks to the efforts of Colonel Ramos, commander of the 9th precinct and General Vargas, commander of the Bogota Police, we are negotiating with the Canadian Government the acquisition of 150 horses, 10 mares and four stallions," the official noted.

Training

In Bogota we are familiar only with the Carabineros School, "whose members," as the government secretary noted, "are valuable in certain operations, but not in terms of generally patrolling the city."

For this reason, and in order to take advantage of the training offer proposed by the Canadian Government, two police officers are going to take a training course on the Mounted Police.

Gutierrez Amat indicated that "the idea is to assign cavalry units to the city this year to reinforce the patrol program, as other countries do."

He added that the program is primarily based on establishing two large precinct stations: one in the 9th police precinct, which will serve as an auxiliary patrol for the entire north side of Bogota, and another in the General Santander School, which will be assigned to the south side for the purpose of providing normal and auxiliary security patrol service.

"The plan is to have the Mounted Police program functional by April, and at the end of March [as published] to put it into operation and assign the first group of units to the city," the official said.

The cost of the acquisition of the horses, the mares and the stallions will be approximately 10 million pesos. "The idea is to integrate the Mounted Police Program into the general scheme of Bogota's security, and hence it will have to be presented in the annual patrol and security budget," the official said.

Japanese Donation

Continuing with the advances for improving the security of the capital, Gutierrez Amat announced that yesterday the Japanese Government decided to make an important donation for the purchase of motorcycles.

The Japanese will lend \$20,000, amounting to about 2 million pesos, which will be allocated for the acquisition of 20 complete models, which the Japanese call the scout motorcycle.

"The intention is to equip each of the precincts with 10 standard motorcycles, of Colombian construction and one of these scouts, outfitted with sophisticated security equipment. We have already initiated the acquisition procedure with the Administrative Department of Planning, since that is one of the requirements and it must go through the Planning Department," the official declared.

Gutierrez Amat added, that the Japanese Government has offered a financing plan at low interest rates for purchasing the motorcycles. "This is why I am reiterating that this year is to be the year of security. If, during the past year, we were able to do all that we did with 140 million pesos, this year, with 300 million, we must double the security measures.

CSO: 3348/263

IDB, NATIONAL DISTRICT SIGN TECHNICAL COOPERATION AGREEMENT

Santo Domingo EL CARIBE in Spanish 29 Dec 83 p 1C

[Text] The Inter-American Development Bank (IDB) and the Government of the National District signed a technical cooperation contract yesterday which includes a non-refundable sum of more than US \$600,000 for the institutional and administrative strengthening of the city council.

The contract was signed in the offices of the international credit organization in this capital, by Luis Buitrago on behalf of the IDB, and by Dr Jose Francisco Pena Gomez, syndic of the capital city.

Councilmember Pena Gomez, who was accompanied by other city government officials, said a few words during the ceremony, stressing the importance of this non-refundable technical cooperation agreement to the institutional strengthening of the city government.

The IDB representative in this country asserted that that institution "expresses, with this modest contribution, its decision to cooperate closely with the municipal authorities of Santo Domingo, under the leadership of Dr Pena Gomez.

The plan includes five sub-projects for the revamping of tax legislation and administration, the modernization of the municipal executive branch, the streamlining of procedures and social communication.

It was noted that the US \$613,000 involved in the technical cooperation contract will be used for the establishment of a specialized institution and the hiring of experts to work in the various stages of the program.

Syndic Pena Gomez indicated that the agreement is of fundamental importance to the city council, and stressed that "two decades after the death of Trujillo, we are still governed by legal instruments left behind by the tyrant."

He went on to proclaim the need to adapt municipal life to the progress that has been made in the country.

"We are very grateful to the president of the IDB, Don Antonio Ortiz Mena," whom he visited immediately after winning the elections "to confirm the

request made through our mutual friend Don Luis Buitrago," stated the city official.

He indicated that the negotiation of this agreement "is another result of the trips for which my enemies criticize me so much."

An explanatory document that was handed out to reporters states that the population of the National District has grown from 200,000 inhabitants in 1950 to approximately 1.6 million today.

"However, its legal and administrative structure has not kept pace with that expansion, which has made it more difficult for the municipal government to function," says the note.

The technical cooperation agreement, it adds, seeks to enhance the city's capacity to mobilize financial resources and to carry out planning and administration.

8926

CSO: 3248/342

INCREASE IN GROSS NATIONAL PRODUCT SECTORS REPORTED

Santo Domingo LISTIN DIARIO in Spanish 28 Dec 83 p 1C

[Text] According to a report by the Central Bank, during the January-September period the construction sector grew by 13.1 percent with respect to the same period of the previous year.

The report asserts that there has been a "quite satisfactory" recovery in this sector in comparison with the negative figures of 2.6 and 3.9 percent recorded in the same periods of 1981 and 1982, respectively.

Broken down by subsectors, the construction sector had an increase of 17.9 percent in its growth rate for the January-September period between 1982 and 1983 in paint sales (from 4.6 million kilograms to 5.4 million); 23 percent in cement (from 623,000 metric tons to 766,000); 30.3 percent in bars (from 40,000 to 53,000 metric tons); and 15.4 percent in construction permits (from 494,000 square meters to 571,000).

According to the Central Bank report, the other sectors that make up the Gross National Product yielded the following results:

Electricity

The information provided by the Dominican Electricity Corporation indicates that this sector grew at a rate of 1.7 percent during the January-September period of 1983, in contrast to the decline of 11.1 percent recorded in the same period of 1982. This increase in both the production and consumption of energy came about as successive electricity plants began coming on line. For example, at present only the San Pedro de Macoris and Timbeque gas plants are out of service. They normally are used as back-up plants when one or several plants that are normally used have to be taken out of service.

In terms of electricity consumption by users, the sectors that increased the most in their electricity consumption during this period were: Public Lighting (8.0 percent), Government and Municipalities (12.8 percent), and Industrial (5.1 percent). The Residential and Commercial sectors, in contrast, showed declines of 3.3 and 5.5 percent, respectively.

Mining

The information on output of the principal mining products indicates a satisfactory recovery in the sector. In the January-September period of 1983 total production grew at a rate of 46.6 percent, compared to a negative growth of 39.7 percent during the same period of 1982, even though there was practically no bauxite production in 1983.

These figures indicate that the recovery is the result of the standardization of the production of ferronickel, since so far this year Falconbridge has obtained good levels of production, attaining a total of 14,332.1 metric tons of nickel in comparison with 878.8 metric tons in January-September 1982, and for just one line of operation that is currently running at the company. This achievement was due to technical innovations in furnace No. 1, with two new copper cooling lines installed in the furnace. In addition, the firm increased the amount of financing it has been receiving for the last 3 years from Falconbridge Limited and Armco Incorp., reaching 20 million Dominican pesos during the period of January-August 1983. These funds were used to maintain the company's operations and to increase production.

As for gold and silver production, they declined by 6.9 and 44.5 percent, respectively, although average international prices went up during this year.

Manufacturing

Estimates of the industrial Gross Domestic Product for January-September 1983 indicate a decline of 0.4 percent with respect to the same period of 1982, with a drop of 11.1 percent in the sugar subsector and a growth of 2.2 percent in the rest of the manufacturing sector. In January-September 1982, the sugar industry had grown by 10.7 percent, and other industries had grown by 4.7 percent, for a growth rate of 4.7 percent in the industrial product for the first 9 months of 1982.

According to information supplied by INAZUCAR, this deterioration was due to the drastic 74.6 percent reduction in milling in the July-September quarter of 1983 due to the early close of the harvest season at 14 mills. During that quarter, only two state mills operated, and their production represented 4 percent of total sugar production. In addition, molasses production declined by 17.3 percent.

The "Productos de Molinos" industrial group had a 10.1 percent rise, the most noteworthy increases being in rice and coffee production, with 16.8 and 7.1 percent increases, respectively.

According to information provided by Internal Revenues, the production of rum fell by 2.5 percent, while that of beer rose by 15.5 percent.

Production of construction materials (paint, cement and bars) expanded during that period.

8926

CSO: 3248/342

BRIEFS

UNEMPLOYMENT IN 1983—Some 27,000 workers were jobless in this country this year, for a variety of reasons. In providing this information yesterday, the Secretariat of Labor indicated that the unemployment rate reached 25 percent in 1983. The figures are based on statistics extracted from reports drawn up by the national offices of statistics and planning. Referring to the unemployment rate this year due to the loss of jobs, the secretariat noted that these figures are the result not only of layoffs, but also of labor contract expirations, resignations, quittings, discharges and dismissals. Thus, the Secretariat of Labor denies the allegation of two labor organizations that more than 30,000 workers were discharged in 1983. The Autonomous Classist Trade Union Confederation (CASC) and the Sole Central Organization of Workers (CUT) issued separate statements to the effect that more than 30,000 workers were laid off this year. The two workers organizations also alleged that the unemployment rate climbed by 33 percent in 1983. [Text] [Santo Domingo LISTIN DIARIO in Spanish 31 Dec 83 p 13B] 8926

CSO: 3248/342

ARENA OPENS CAMPAIGN, PRESENTS ELECTORAL PLATFORM

San Salvador LA PRENSA GRAFICA in Spanish 11 Jan 84 pp 32-33

[Text] This date will be another glorious landmark in our great Nationalist Republican Alliance (ARENA) Party, because today we are launching our electoral campaign throughout national territory, and nationalist fervor will give an overwhelming boost toward the victory that the true people of El Salvador need and long for, to win the presidency and vice-presidency of the republic by electoral means. We are entirely certain that nothing and no one can prevent this Nationalist Republican triumph, and therefore, the National Executive Council of our great party extends a cordial greeting to its leaders, coreligionists and friends who are working enthusiastically across the nation, even in the farthest corners, for the victory of the Nationalist Republican Alliance.

It is important to recall at this time that when we formed our great ARENA Party on 30 September 1981, we did so because we were convinced that only by opening up a democratic process could El Salvador's problems be solved. We have never believed, and we never will believe, that violence is the way to solve the nation's problems. We therefore resoundingly denounce the use of violence, kidnapping, murder and all forms of terrorism. We have always said, and we will continue to maintain, that the only legitimate weapon we Salvadorans have to achieve pactification and economic recovery is the free vote of the citizenry. For those reasons, we condemn violence, and we are against any group that tries to take over by using terrorism, no matter where it comes from.

We repudiate the violence that has been unleashed to bring our country down; we condemn the terrorism of the Farabundo Marti Front and the death squads, because no matter where that violence comes from, the perpetrators must understand once and for all that their attitudes are not only cutting short useful Salvadoran lives, but are also destroying the incipient democratic process that we true patriots have begun in our country.

We note with great satisfaction that we ARENA members were the ones who exposed the corruption and political betrayal of the Christian Democrats. We were the ones who broke the cycles of silence and fear, thus paving the way for the election of deputies to the Constitutional Assembly. We ARENA members spoke out clearly to denounce the abuses committed by the Christian

Democrats. We told the little dictator Duarte and the agrarian destroyer Morales Erlich the whole truth about their revanchist actions, permeated with a paranoid hatred of private enterprise and of all those who did not go along with their collectivist proposals. ARENA was the only party that confronted the Christian Democratic demagogues and forced them to hold the historic elections of 28 March 1982. That is why the Christian Democrats have been and always will be our irreconcilable ideological enemies, because nationalism is incompatible with internationalism, and representative democracy is contrary to Marxist communitarianism.

The unforgettable 28th of March, 1982, was a day when the Salvadoran people wrote one of the most brilliant pages of their history. It gives us great satisfaction in ARENA to be able to say that nearly a half a million Nationalist Republicans voted for the tricolor emblem of our great party. We must point out that when the elections were held for seats in the Constitutional Assembly, our party had been founded only 6 months earlier, but the masses of true Salvadorans who flocked to the polls to vote for ARENA made it possible to evict the Christian Democratic opportunists and crooks from the government.

To inform the true people of El Salvador of the key points of the Nationalist government plan to save our fatherland from the crisis at hand, we present a summary of them:

--Our platform focuses primarily on maintaining public order, respect for and enforcement of the Constitution and other laws of the republic. Legal security and the rule of law are fully protected, and no internal or external pressure will sway us from that fundamental objective. The rule of law and the enforcement of legislation will be the distinguishing characteristic of our Nationalist government.

--Another major objective is to achieve pacification and do away with violence; only by restoring public order can the people of El Salvador come to grips with the tremendous tasks of national recovery. Respect for human rights and the integral development of the individual will be given special priority in our government. For this purpose, as soon as possible we will put a definite end to violence, since the Salvadoran people are clamoring and shouting that what they want is peace and work.

--At the same time that we implement our national pacification program, we will put into effect a series of provisions with the specific intent of promoting the country's economic reactivation. Thus, we will strengthen the productive sectors and foment the resurgence of that entrepreneurial dynamism that was undermined by the imperious demagoguery of the de facto governments.

The revitalization of the productive apparatus is another priority of the Nationalist platform, because until the sources of employment are put to work, the people will continue to suffer from the paralysis of production. With that goal in mind, we intend to promote the liberalization of foreign trade, and take steps to reorganize the financial system.

--Our platform assigns a vital role to the entrepreneur, considering that this is a key factor in the generation of national wealth and prosperity. The

entrepreneur--be it a humble peddler in the market, the owner of a small workshop, or a Salvadoran who through creativity and drive has risen to the top as a major executive--will always receive the decisive support of our government, and to enable the business sector to expand its productive capacity, we intend to provide the indispensable credit resources and technical consultation. We want every citizen to have the same opportunities to succeed in business, to develop creative powers to the maximum and to join the vigorous force of private enterprise. We are certain that if we provide decisive support for private initiative and if everyone works tenaciously, we will make our nation an example for the entire world; we will raise it from the ashes and transform it into a bastion of democracy and social and economic progress.

--Our Nationalist platform ensures absolute respect for private property and guarantees that we will develop an economy based on private initiative so that all Salvadorans will be able to do whatever is necessary, within legal limitations, to maintain our family units and improve their standard of living.

--The Nationalist government will most definitely consolidate agrarian reform, implementing fair and efficient technical criteria so that agrarian reform will be geared toward production and productivity, thus becoming an instrument of social and economic development for the country.

The plan that we have devised for the consolidation of agrarian reform envisions each peasant beneficiary becoming a real landowner, and at the same time an agricultural entrepreneur. We are going to enable these thousands of peasants, who now are worse off than before, thanks to a poorly planned agrarian reform program, to become efficient managers of their resources, so that they themselves can generate prosperity for their families. For that purpose, we will develop a plan within the reformed sector aimed at making each beneficiary the owner of a parcel, on which he can build a house and grow a garden to support his immediate family. Each agrarian reform beneficiary will be given the deed to his family parcel, and will be issued the legal documents pertaining to his partnership in the cooperative. These documents will guarantee peasants the right to pass on to their children or family members the ownership of their parcel and the shares they have in the cooperative. In addition to strengthening the cooperatives, this program will promote the prosperity of the peasants and will eradicate the collectivist scheme imposed by the Christian Democrats.

--Coffee, cotton, sugarcane, grain and livestock growers, as well as anyone else who engages in the various agricultural activities, can be assured that ARENA will make substantial changes in credit procedures so that they can obtain the capital resources they need and thus raise production levels. They will also be given every guarantee that they can work and receive fair prices for their harvests, and that their business activities can be carried out within a framework of legal security and economic freedom.

--Our platform gives special attention to the health and education of the people, because these two areas are of the utmost importance and must be dealt with adequately to promote the improvement of the Salvadoran standard of living as a whole. We intend to work intensively to enable the Salvadoran people to enjoy better hospital services, and to develop educational programs that will benefit the entire population. Our children and youths will be the primary targets of all efforts by the Nationalist Republican government.

--Our government will not allow any foreign intervention in the internal affairs of our country. We will not permit our national sovereignty and dignity to be trampled, nor will anyone be allowed to tarnish the sacred name of El Salvador. In international organizations and forums, we will assert the dignity and prestige of the Salvadoran people, and for that purpose we will pursue a new diplomatic policy and restructure our entire foreign service so that each diplomatic representative of the Salvadoran Government will project and defend the sacred values of our fatherland. We plan to strengthen our ties with the governments and peoples of the free world, and we will respect large and small nations alike, just as we will demand equal respect for our country. This new diplomatic approach will put an end to the foreign intervention in affairs that are the exclusive concern of the Salvadoran people. We will demand respect for the juridical equality that international law confers on all states, and will adhere to all the treaties and agreements signed by our country.

--An essential plank of the Nationalist Republican Alliance platform is the overall enhancement of our armed forces, a goal which we will pursue to the benefit of our fatherland and all military professionals. Our government will promote improvements in the technical skills and ethical values of each member of the military, devoting all necessary resources to that end, so that our armed forces can comply fully with their sacred duty to defend national sovereignty, in accordance with the Constitution of the Republic. We will exercise vigilance to ensure that the military stays out of political affairs, and we will not allow it to be used for partisan purposes or to defend particular interests.

--The Nationalist government guarantees that with the full restoration of the judicial system, every Salvadoran without exception may work in peace and live in freedom. To achieve the objectives of our platform, ARENA will form a cabinet with the most qualified people to carry out the high responsibilities of government.

--ARENA is committed to eradicating corruption in public administration and to managing government resources with absolute honesty, providing an accounting to the Salvadoran people of all government actions. We Nationalist Republicans will not govern by arrogance; we will not take positions that impair the functioning of representative democracy; we will not allow room for opportunists, much less traitors; we want government officials and the citizenry to work together to achieve our great objective: to save our fatherland.

Salvadoran brothers! The great moment of decision has arrived; the moment of the great Nationalist triumph has arrived, and we will prove it in the elections of 25 March. We are entirely confident of our victory; the triumph is

ours, and we will never allow it to be taken away by intervention or fraud. We will not allow internal or external interests to violate the sovereign will of our people. We are ready to conquer power through the legitimate means of the vote, because we Nationalists believe in and practice representative democracy.

El Salvador first, El Salvador second, El Salvador third!

Fatherland yes, communism no!

Vote for El Salvador, vote for ARENA!

Today the struggle, tomorrow peace, progress and liberty!

8926

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GUERRILLA COMMANDER ROCA INTERVIEWED

Brussels KNACK in Dutch 30 Nov 83 pp 93-104

[Interview with Roberto Roca by Eric Vandecasteele: "Short-Term Intervention is not Possible Here". Interview with Roberto Roca, One of the Five Commanders of the Farabundo Marti Guerrilla Group in El Salvador." Place: in guerrilla-controlled area northeast of San Vicente, El Salvador; date and language not specified.]

[Text] The united guerrilla front in El Salvador, the FMLN [Farabundo Marti National Liberation Front] has been led by five top commanders since the end of 1980. One of these is Commander /Roberto Roca/. Roca is in turn leader of one of the five political-military organizations within the FMLN, the PRTC [Central American Revolutionary Workers Party]. Since the FMLN mounted a new offensive at the beginning of September, there have been signs which indicate that the government troops are stretched very close to the breaking point: their morale is low, their losses are alarming and the American-trained elite battalions do not appear capable of carrying out the American military plans properly. If Reagan's government intends to prevent a military defeat, it must act now. Nevertheless, direct military intervention in El Salvador is particularly risky.

This interview is the distillation of an eight-hour long conversation with Commander Roca; it took place in the guerrilla-held territories northeast of the city of San Vicente. Since November 1982, Roberto Roca has been with his troops without interruption. Life among the guerrillas is one without privileges. He sleeps in a hammock and often works well into the night by the light of a candle in a ten foot by ten foot hut made of poles and corrugated sheetmetal which admits the rain in more than one place; three times a day there are beans and tortillas (pancakes made of corn or millet)--and, for him, continual slurping of black coffee from an army mess-tin (/Ingersoll Products--Made in USA/) and chain smoking.

[Eric Vandecasteele] For me it was quite a surprise to be picked up by armed guerrillas hardly twenty-five kilometers from the capital San Salvador and believe it or not, to walk into an area controlled by the rebels. What does that mean?

[Roberto Roca] You have to make a three-way distinction. First of all come the territories under military control of the enemy. We call those the zones

in expansion, zones where the FMLN has an important following which is trying to expand politically and socially in a clandestine manner. From those areas we also get a large portion of our food through our people. Next come the areas in dispute. Often these are a kind of no-man's land, valuable for us as an extension of the third kind of area, the zones which we control. In these last zones we have the military and political control: no outsider enters there without being checked by us, and the people are unanimously behind us. There are regions to which the guerrillas can withdraw to rest from the war maneuvers and from which offensives can be prepared.

However, you mustn't misunderstand the notion of a "controlled area" as a piece of land that we will defend to the extreme in case the enemy carries out a huge offensive against our positions. When that happens, we withdraw temporarily until the enemy is gone again. A guerrilla group would go against one of the principles of irregular war if it were to hang on zealously to a certain strip of land.

[E.V.] In some controlled areas, you have evacuated part of the populace. Why?

[R.R.] In the summer of 1982 we were confronted with the problem that we regularly had to flee from areas with five hundred or even a thousand civilians who supported the FMLN and were brought by us into safe territory. Then time and again we were supposed to break through the lines of the government army which had surrounded us, something that made the old people and nursing mothers especially vulnerable. In order to prevent further bloodshed, we agreed to bring everyone who could not serve in the army to a safer location. For some people that was one of the UN-supervised refugee camps in San Salvador or Honduras, others settled in less turbulent areas and started farming and integrating themselves into local life. Those people are now living in areas which the government considers its own. Their work is invaluable: through their clandestine efforts, they are trying to win those territories for the guerrilla cause; they can readily obtain medicine and shoes for us and they can pass on part of their harvest to us. They are working from the perspective of carrying out a long-term war in the enemy's backyard without the enemy's realizing it.

[E.G.] How much area do you control?

[R.R.] At the end of 1981, we had 10% of the national territory under control, according to our estimates. At the moment we control a good 30%, spread out over the provinces of Morazan, Usulután, San Vicente, Cabanas, Cuscatlán, Chalatenango, and Santa Ana. In those provinces it has reached the point almost everywhere that the government troops do not dare to leave their barracks except in battle formation.

[E.G.] Considering that, it seems a bit of a joke that the government is warming up to the idea of new elections in early 1984. Your group is invited to participate in those elections.

[R.R.] On the condition that we lay down our weapons first. Of course that is nonsense. And how can you take elections seriously in a country where constitutional rights and freedoms, such as the rights of free speech, assembly, you name it, have been revoked; where there is consequently no political guarantee at all. Just like in the last elections, the choices will be very slim this time: either you allow the country to disappear in the

hands of the oligarchy and the military, or you vote for the conservative cartel of the modernizing bourgeoisie.

[E.V.] From a political perspective, could you say that the biggest threat to the FMLN is represented by reformism, with the Christian democrats in the lead?

[R.R.] Reformism is not our principal enemy, but rather the oligarchy, the 'fourteen families' which have always pulled the strings in this country and are the patrons of the army.

[E.V.] The left rather frequently mentions the succession of puppet governments in El Salvador, governments which are at the beck and call of the United States. Now it is no secret that Washington is fed up with president Alvaro Magana and the current military leaders and has much better expectations from a government with Napoleon Duarte. If the US is in control, how do you explain the fact that Duarte did not remain president and that the Christian democrats were voted out in the March 1982 elections in favor of an extreme-right coalition?

[R.R.] Although the oligarchy is clearly pro-America--and, indeed, has to be--it also has a certain autonomy which more than once has countered American desires. Let me illustrate this with an example. In 1974-75, the American government backed a plan for land reform here which was cautiously announced by the military president at that time, general Molina, as an 'agricultural transformation'--the word 'reform' even sounded too radical. Well, the measure was tabled under pressure from the oligarchy.

Similarly, Washington was unable to prevent the founding of the extreme-right Arena party, a spiritual offspring of the oligarchy. There are plenty of such examples. The new land reform under president Duarte in 1980-81 was postponed indefinitely, again thanks to intervention by the oligarchy. The understanding between Washington and the Salvadoran oligarchy could be described as an imperfect marriage in which arguments happen all the time, but which can by no means be dissolved.

[E.V.] Some observers believe that Napoleon Duarte could win the next elections. What would happen then?

[R.R.] Duarte would be even more American-minded than Magana is. The support among the oligarchy which Duarte would undoubtedly lose could only be compensated for by increased economic and other aid from Washington. Duarte could well want to dust off his old land reform plans, but I'd bet my eyeteeth that the oligarchy would thwart that. They've got enough ways to do that. There are such things as their paramilitary corps, their influence in top military circles, they can continue to boycott the economy by refusing to repatriate their money from Miami or Switzerland. Even Duarte and the American government together cannot win against them.

[E.V.] In other words, you make a distinction between the Christian democrats and the fourteen families?

[R.R.] A big distinction. Duarte is no oligarch, nor are other Christian democrat leaders like Morales Ehrlich or the minister of foreign affairs, Chavez Mena. Within the Christian democrat party, there are hardly any representatives of big capital. I do mean direct representatives, since

everyone knows that Morales Ehrlich has always been the slave of North American firms, and that Chavez Mena, if pressed, will bend to the will of the Poma family (one of the fourteen). But there are no direct political actions based on a fortune that someone in their ranks manages.

[E.V.] A war always costs both sides a fortune. Your side clearly is not suffering from hunger, you have reasonably good clothes, you carry the modern American M-16 as your standard weapon. The obligatory question: where do you get the money?

[R.R.] You will be amazed to hear that, four years ago, when our fighting forces were principally concentrated on the capital, keeping ourselves functioning took about ten times as much as we spend now to maintain a much more responsive apparatus here in the country. Why? The beans and tortillas--our daily rations--come from the farmers who give a portion of their harvests to the guerrillas. We drink water from a river. Transportation costs nothing: we move around on foot. The things that do mount up are batteries for radios, medicines, marching boots, our diplomatic representatives abroad.

We get our funds from bank robberies and kidnapping wealthy Salvadoran bourgeois, something that has put millions of dollars in the till the last few years. Another important source is the money collected by the solidarity movement in the US and especially Europe. In addition to that, we also get much more financial and material aid from our own people than we used to. Pharmacists who regularly pass on medicines without anyone's knowing it, shoe factories where the workers sell us dozens of pairs of shoes for a pittance, collected clothing, etc. If the guerrilla movement were not popular, it would not last very long in such a small country.

[E.V.] And your weapons?

[R.R.] As you can see, we fight with the same kind of weapons as the government army: eight out of ten rifles are American M-16's, mainly captured weapons. In two years of fighting, we captured more than two thousand rifles from the army, ammunition comes from the same source. Whatever isn't captured is bought on the black market, easy enough if you have the dollars. In the early seventies, we bought our first weapons from corrupt Salvadoran army colonels. Once an officer told me when he did it: "The only thing we can do is sit around the barracks. If for some reason or another we have to get out and haven't got anything saved up by then, we'll be doomed to spend the rest of our life earning our living in a Miami carwash."

We don't have any Russian weapons at all. That would be difficult anyway, because they would all have to be brought in from some other country, not to mention the permanent channels for ammunition we would have to set up abroad. After all, it is much easier if you fight with the same weapons as your opponent: his bullets fit your rifles.

[E.V.] Most of the news nowadays is coming from the military front. The reports indicate an increasing strike power among the guerrillas. What are your military objectives?

[R.R.] The FMLN has prepared itself for a long-term war. For example, our food supply sources are set up in such a way that it is impossible to starve us out. You see, the government can never find out which parcels of land,

spread out over the entire country, are producing food for us. At this stage of the war, it is our objective to ensure that the government army does not succeed in completely replacing its dead and wounded soldiers with new troops; we're pretty successful at that. In the past year, the enemy army has suffered more than 6600 casualties--2100 dead, more than 4400 wounded--defense minister general Vides Casanova told the Constitutional Assembly last August. Those numbers are well above those of the newly trained troops. It is worthy of note that that the greatest casualties were suffered by the elite battalions which were trained in counterinsurgency by the Americans. The Ramon Bellosa battalion was heavily hit, and the Atlacatl battalion was even reduced to a third of its original size.

[E.V.] Losing 6600 troops in one year is a tremendous blow to an army with a total strength of about 32,000, including the national guard and the police force. How high are the casualties on the guerrilla side?

[R.R.] In the last twelve months, 400 at most, counting both dead and wounded. In fact, I think that is even a high estimate. How is that possible? That is a result of the kind of war. You see, it is the guerrilla who decides when and where to engage in fighting with the government troops. We determine the circumstances, we know the territory like the back of our hand, and we attack when the enemy is most vulnerable. That is simply the way a guerrilla war works. It is an art that you don't just pick up overnight, as the American advisors are finding out to their detriment. It means being ready for action day and night, being willing to live on beans and tortillas and to sleep out in the open far from your wife and children. And our opponents are simply professional soldiers who are fighting mainly for their low pay. In contrast, we are fighting for a conviction, not for money.

[E.V.] The sociopolitical situation in El Salvador is quite different from that in Nicaragua. It seems to me that your opponent is turning out with much more strength than the Somoza dynasty.

[R.R.] In El Salvador the matter is more complicated. We don't have anything like the Somoza family, a dynasty sealed together by marriages which combined economic with political and military control and was a splendidly obvious opponent, that is, indentifiable with evil for simple people. Behind the scenes, the Salvadoran oligarchy has pulled all the strings, but it was careful to avoid political authority--that was left up to the army, which in turn was clothed and armed by the oligarchy. Unlike Nicaragua, we had a limited political thaw in the seventies, during which centrist, even slightly leftist parties emerged shortly.

On the right, there was also a scuffle between the modernizing bourgeoisie and the pure oligarchy; the latter had set up the extreme right mass organization Orden (literally "order") which carried out abominable acts of terror, especially in the countryside. Next to that, there was also major d'Aubuisson's fascist Arena party. Believe me, revolutionaries here have to struggle against a much more numerous rightist side than the Sandinists ever confronted along the way in Nicaragua. There the choice was simple: you were either for or against Somoza.

[E.V.] One of the things that seem incomprehensible to me here, in the area controlled by the guerrillas is that I have walked for days through both controlled and uncontrolled areas with guerrilla troops--sometimes 70 of us,

at times even 150--while every day you saw at least one or two air force helicopters or scout planes fly over. Furthermore, every night at about nine o'clock, when it is pitch black, a scout plane circles around the camp for minutes. It could only be that has infrared equipment to search out weapons. And then you notice that no bomb has been dropped, and not a single trap was set for the troops. How do you explain something like that?

[R.R.] It has turned out that the air force is inefficient in all regards. First and foremost because guerrillas are constantly in motion. They might sight us at point X at some time, but two hours later we are already ten kilometers away. Secondly, the government army has very poor cooperation among the various staffs. We have even experienced a case in which we attacked an enemy garrison and heard the local commander call the air force for aid by radio. And the air force refused to send planes. Simply because commander A had a bone to pick with commander B or because he thought to hell with them. The only unit of the air force that works are the helicopters that take the wounded from the war zone to a hospital.

[E.V.] How many troops can the FMLN put into action?

[R.R.] Let me answer you indirectly. Magana's government has a troop strength of 32,000. Only half of that is operational, the other half has to guard the embassies, direct traffic, repair bridges we've blown up--and there've been quite a few of those. On the other hand, the guerrilla forces are all operational. If you compare operational strength, then you can assume that the FMLN has almost as many soldiers as the enemy.

[E.V.] There is quite a bit of speculation concerning the reform tendencies that are part of the FDR [Democratic Revolutionary Front], the political-diplomatic arm of the FMLN. That means Guillermo Ungo of the MNR [National Revolutionary Movement] (a social-democrat party) and Ruben Zamora of the MPSC [Popular Social Christian Movement] (a progressive splinter group of the Christian democrat party). Do they serve as moderate showpieces for the revolution?

[R.R.] The claim that the MNR and the MPSC have no social support is incorrect. They have it, and by no means so little. Furthermore, it is a misapprehension to say that they are reformists. They were years ago, in a time when everyone, even the Communist Party, believed that the mess here could be straightened out through elections. They all have changed their views since then and have joined in a more radical alternative: in other words, they have foresworn reformism. At the moment, we are all on the same wavelength; if differences of opinion arise, it is only about details, not about the basic issues.

[E.V.] President Reagan's government is trying to prove that the domino theory has no chance in Central America. Meanwhile, Washington spares no efforts to get rid of the rotten apple, Nicaragua. Isn't socialism in one single country -- Nicaragua -- doomed to disappear?

[R.R.] I believe that the Sandinist revolution has every chance of success. Why? Because all the other nations in Central America are engaged to a greater or lesser degree in a struggle against the same enemy as the Sandinists are now fighting. It is totally foolish to try to separate the various processes, they are closely interrelated. And as Central Americans we feel involved in every process. Let me give an example. The political

struggle of the Argentine people against the military dictatorship enjoys our support, but you've got to understand that the popular struggle in Guatemala is closer to our heart. We are sometimes asked to take a stand on Poland or Afghanistan. Well, we trust that the Polish and Afghan peoples will solve their own problems sooner or later. But we think it a thousand times more meaningful to take a stand on some issue in our own region; for example, to point out that the policies of president Suaza Cordova in Honduras are reducing that banana republic to an American arms depot; that the people of Guatemala are completely justified in taking up arms against president Mejia; and that the Sandinists in Nicaragua have our unconditional support.

[E.V.] How great is the chance of American military intervention in El Salvador?

[R.R.] You mean military intervention with troops, since there already is open intervention. Perhaps the main thing holding the American president back from doing so, is the fear of a strongly negative reaction among the American people. There is no doubt at all that Reagan--and his circle of advisors along with him--harbors the secret desire to dirty his feet by marching in here.

If the Americans start an invasion here, that would of necessity drag in all of Central America. A short-term intervention in El Salvador with a couple of thousand Marines would be doomed to failure. It would have to be a long-term one, automatically longer than Reagan's term of office, whether or not he is reelected president. It would be a decision which could bitterly divide the American public, since we have nothing more to learn about guerrilla tactics. Just think about when the corpses in plastic bags of dead Marines start arriving in Washington. Perhaps that's what the American president is worried about and what has kept him thus far from showing himself as a supporter of direct intervention. At any rate, Reagan must be warned that intervention would saddle him with a long-term regional conflict, with the very great likelihood that the problems which he thought he would solve will turn even worse against him.

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CSO: 8114/0630

ECONOMIC, FISCAL STEPS FEATURE TAX, EXCHANGE, BANK RATES

Tax Reform Prospects

Kingston THE DAILY GLEANER in English 21 Jan 84 p 1

[Text] A programme of tax reforms to reduce the rate at which tax is charged on personal income, the first phase of which will be ready for the Budget presentation in April, is currently being completed by the government.

Accordingly, an official news release said on Thursday, Prime Minister Edward Seaga has advised the Commissioner of Income Tax that there should be a suspension of the present drive to collect taxes on taxable allowances, until the new programme is in place. The drive to assess tax on allowances was started by the Commissioner of Income Tax on January 11.

The Prime Minister said on Thursday that while it was appreciated that in the collection of taxes on allowances the Commissioner was merely carrying out the requirements of the Law as it now existed, the result of this enforcement would be to increase the direct tax burden on individuals immediately.

The Prime Minister has advised the Commissioner of Income Tax that he was certain that the programme of the tax-collection could be implemented without dislocations in the tax-reform programme planned, without unduly affecting the take home package of the salaried worker and wage-earner, the news release said.

"I agree that there are serious abuses now taking place by the extensive use of allowances to avoid tax--although these allowances are taxable in law," the Prime Minister said.

"But to deal with these abuses, it is necessary to have the machinery in place to reduce the rate of tax on income at the same time not before so as not to unduly affect the take home pay of individuals. This will be possible only after the tax reform package has been presented in the Budget, not before."

The Prime Minister also had praise for the Commissioner of Income Tax.

"The Income Tax Department has come a long way in rebuilding its effectiveness under the leadership of the present Commissioner over the past two years," the Prime Minister said, "I commend him and his staff for their initiative and effective action."

"However," the Prime Minister added, "the application of tax measures must be smooth and without confusion, and must appear equitable and certain in the eyes of the taxpayer."

Seaga on Tax Process

Kingston THE SUNDAY GLEANER in English 22 Jan 84 pp 1, 3

[Text] The "tax net" was broadened last year to include some 10,000 new companies and self-employed persons, including minibus operators and Informal Commercial Importers, Prime Minister and Minister of Finance the Rt. Hon. Edward Seaga said Friday night.

Speaking at the annual Dinner and Awards Ceremony of the Jamaica Chamber of Commerce at the Jamaica Pegasus Hotel, New Kingston, the Prime Minister said that overall 14,000 companies and self-employed persons were assessed by the Income Tax Department.

Two persons, Sister Mary Benedict, principal of the Holy Family Primary School in Central Kingston and social worker and J.C. of C president, Mr Bruce Rickards, received awards for outstanding services. The I.C.D. Group of companies also received an award for the company which "best projects what the Chamber stands for and which displays the human face of business."

Using his speech to answer questions raised by Mr. Rickards at the monthly meeting of the Chamber directors last Monday, Mr Seaga gave the figures of the widening of the "tax net" last year. Mr Rickards had wanted to know why nothing had been done to widen the net.

Mr Seaga also reported that minibus operators had to pay their tax before they got a licence to operate. The Informal Commercial Importer (I.C.I.) also had to pay tax before receiving a quota.

'Hurry come up' importers

Answering a question from Mr Rickards as to why "hurry come up" importers could obtain considerable import licences for products which long established companies either could not obtain or obtained after a long wait and in lesser quantities, Mr Seaga said that the value of quotas awarded to the Internal Commercial Importer last year were 2.5 percent of a consumer import bill of \$210 million.

This, Mr Seaga said, represented an average quota of \$6,000 each which went to satisfy the family needs of the I.C.I. in a way which industry could not do.

He told Chamber members that the initiative and enterprise of the I.C.I. were something "we want to encourage." He referred to many big traders who he said had had their origins in the type of activity carried out by the I.C.I.

On the tightening up of illegal imports, Mr Seaga said that the new container station in the Port of Kingston would be open for business next month and

should greatly assist the container stripping operations and so cut down on illicit imports. The present stripping operations at the port was not adequate to remove the possibility of illegal imports, Mr Seaga said.

He also reviewed measures at the Norman Manley International Airport where metal containers were being used in the anti-illegal import drive. Mr Seaga said that the days of bustling and riots at the airports by those who wanted to get away without paying the appropriate duties, were over.

The I.C.I.'s now had to put their goods in the metal container to which they and the customs personnel had a key. The container was taken to the Queen's warehouse where it was subsequently opened in the presence of the I.C.I.'s. The goods would then be examined and duties paid.

On the government's import policy, Mr Seaga said that it ought to be possible to have the new system in place by tomorrow. To applause, Mr Seaga said the end to licences for capital goods and raw materials, was an attempt by the Government to remove the bureaucracy from the economy which had been a subject of complaint. It was another step in the structural adjustment programme which was one of the major economic programmes of the Government.

Mr Seaga referred to the removal of price controls, divestment and restriction to imports, all done "on a timely basis."

Quoting figures, Mr Seaga also refuted charges that the Government was pursuing a consumer oriented society. He said that these charges did not fit with the facts.

More Confusion

On the view expressed by Mr Rickards that the new year had started with more confusion, hesitancy and doubt than any other year to "my knowledge," Mr Seaga, referred to a Stock Exchange report which had appeared in the Press and which forecast a "bullish performance" for the economy.

Declaring that there was a need for the Government to be more informative so that the country could know what was going on which would lead to less misinterpretation of Government action, Mr Seaga said he preferred to accept the blame for not being "sufficiently communicative to the public."

He said he hoped to correct this in the near future, adding that he had taken charge of the information portfolio. At the same time, Mr Seaga said, there was the problem of people not being "sufficiently recollective" of what had happened a few short years ago.

Mr Seaga recalled incidents from those years such as when sections of Trench Town were ablaze while a team from the International Monetary Fund (I.M.F.) was here and of demonstrations about "Yankee go home." One featured a Junior Minister with the responsibility for tourism, who had a placard which said "Yankee go home."

'Don't go overboard'

Mr Seaga appealed to Chamber members and the country not to overelaborate things or give the impression that there was a great deal that was wrong. The country had a single crisis created by the foreign exchange shortage which was critical "but don't spread the word that there is an overwhelming crisis in the economy. 'Don't go overboard.'"

Mr Seaga said the country was not in the same position of the Latin American countries whose problems were of such that he did not know how they were going to overcome them.

Ninety-five percent of those countries' debts, he said, were short term commercial debts which had to be repaid in four years at commercial rates of interest. There were few countries like Jamaica, which could show three straight years of positive growth, he said.

The country which was adjusting to the problems of the 70's and 80's would shortly be witnessing the 200th investment project under the present Government. The country had also experienced a 20 percent rate of capital formation which was happening in few places, Mr Seaga said.

In his contribution, Mr Rickards reported a "fairly successful year" for the Chamber. "We have balanced our budget and continue to promote our ideal of good business, good citizenship, and good Government.

"The Chamber's record of service to its members and the business community as a whole has been upheld and our plans for 1984 include our intention to provide our members with even more information and assistance than before.

Mr Rickards mentioned some of the programmes carried out by the Chamber and thanked all who had helped.

He continued: "In the area of good Government, the Chamber feels that our outspoken comments and recommendations from time to time are fair and non-partisan and entirely designed to assist the Government of the day in framing and implementing its policies.

"We believe that the business community has played and continues to play a vital role in the development of Jamaica and we believe it is our duty to assist the Government in which ever way we can."

Mr Chester Burgess, a director of the Chamber made the presentation to Sister Benedict for "the individual whether member of the Chamber or not with an outstanding record of involvement in community work; Mrs Geoffrey Messado, wife of the president of the Jamaica Exporters' Association, gave Mr Rickards his award, for the member who best contributed to the Chamber's work during the year.

Mrs Ruby Martin, another director presented the company award to Mr Vernon Matalon, president of the I.C.D. Group of companies.

Mr Adolph Brown, president of the Small Business Association said grace. Mr Geoffrey Messado replied on behalf of the guests, Mr Henry Fullerton, a director of the Chamber, presided.

Mr Sameer Younis, first vice-president of the Chamber, moved the vote of thanks.

Interview With Sasso

Kingston the DAILY GLEANER in English 23 Jan 84 p 1

[Interview with Mr Ron Sasso, managing director of the Royal Bank and president of the Bankers Association, by Marcia Erskine: "Government Must Carefully Choose Measures To Regulate Economy--Sasso"; 20 January 1984]

[Text] The Government of Jamaica must carefully choose the measures by which it aims to regulate the Jamaican economy lest it follows a path that would adversely affect the mass of the Jamaican people. This is the opinion of Royal Bank's Managing Director and President of the Bankers Association, Mr Ron Sasso.

In an interview with the GLEANER on Friday, Mr Sasso said that Jamaica was receiving assistance from external agencies whose main interest was in seeing the economy regulated. As such, he said, Government must be wary of "harsher and harsher steps to control exchange rates and curb spending which turn out to be very bitter, poisonous, medicine."

Likening Jamaica to a critically ill person, Mr Sasso said: "Every doctor knows that in curing an illness the medicine he chooses to use must be one which does the job without destroying the system. It can't be a cureall that may kill rather than cure the patient."

"For this reason," Mr Sasso continued, "we can't allow outsiders to rule our lives. Any attempts to regulate the economy must go hand in hand with a constant regard for what is best for the people of Jamaica--what would be the least painful solution to our problems."

Mr Sasso said that external agencies with their eye only on the regulating of the economy may see as a solution "the forcing up of foreign exchange rates as a means of stemming tastes for costly foreign imports thus curbing spending, without seeing the pain this causes to the mass of the people who, as a consequence of high exchange rates, must also pay exorbitant prices for essential goods."

Mr Sasso called no names, but the International Monetary Fund (IMF) is one of Jamaica's major sources of funds. In fact, the current system of setting exchange rates is a stipulation of the current IMF agreement which states that the Jamaican Government ought not to set exchange rates save to set a band of a minimum and maximum level in which bids may be made in any given fortnight.

Just Friday, in what commercial bankers here described as a move to bring exchange rates down to "realistic levels" the rate of exchange of the Jamaican dollar against the U.S. dollar improved, moving from J\$3.38 (buying) and J\$3.40 (selling) per U.S. dollar to J\$3.25 (buying) and J\$3.30 selling.

Each day Bankers have been pooling 25% of the foreign exchange bought the previous day into a "pot." By 2 pm each day, each of the nine commercial banks here know the sum of the "pot" and makes sealed bids for all or a portion of it, within a band specified by Government. If a particular bank bids for all the money in the pot at the maximum rate of the band, he may buy it all back at that rate. If he bids however, for only a portion at that top rate, he gets that amount and the remainder of the money goes to the second highest bidder continuing along a chain in this way, as long as funds allow. What has been happening in recent weeks, is that one bank in particular kept bidding each day at the maximum level of the band and other banks were forced to do likewise in an effort to get back what they put in. When two or more bids are at the same maximum level, the money is allocated proportionately to what was put in by each bank and so they end up getting back what they put in--25% of the previous day's take.

The way the system works, the lowest accepted bid which clears the pooled funds is the rate adopted for trading the following day. Thus, with all the bankers bidding at the same maximum level the rate of exchange would have to be set at this level. The rules of the system stipulate that where the auction rate remains at the top of the band, the Minister of Finance is obliged to sign a new Priority Order raising the band.

Thus Mr Sasso explained, although last Wednesday's auction reached a high of J\$3.55 to U.S. \$1 the commercial bankers on Thursday agreed among themselves to attempt to stem a situation that was getting "out of hand" and to bid only what they considered to be a reasonable price for money "allowing the auction to continue in a reasonable way."

Mr Sasso told the GLEANER that the bankers were battling against attempts to "get the exchange rate up and make things so expensive and uncomfortable so as to dampen down the desire for less essential goods since as a consequence, essential goods also become more expensive, and this defeats the whole purpose of the thing.

"What's more," Mr Sasso said, "I don't think that this is the aim of the Government. They could never wish to help in one area while creating harm in another."

Mr Sasso said there was need for a more harmless solution to Jamaica's problems and that Government should make a stronger appeal to Jamaicans. "Communicate with them in real terms about the need for cooperation from everyone of us--the thrust of all of us--to solve Jamaica's problems. We need longer term solutions to our foreign exchange problems. The sudden answers are much too painful."

Mr Sasso said that the country's problems can only be solved with the combined efforts of the Government and people of the country, but he noted what he termed "a terrible lack of understanding and communication between the Government and the mass of the people."

"Images of politicians on the television" is not the answer," he said. "We need real communication and long term solutions. Sudden death medicines are not the answer, and if no one else sees this, the banks, who have a major role to play in the financial stability of this country, must be responsible and take action, even if in detriment to themselves, to maintain the real cost of money."

Mr Sasso said that 1984 will most certainly be the most difficult year in which to do business and survive since Jamaica's economic downturn in the 70's. He said it would need an abundance of fortitude and determination on the part of the people as well as the politicians whose responsibility must be "to let the people know all is not well and where and how we can all work to battle for survival." He continued:

"This must be tempered with patience and understanding so that we do not go off the deep end with all sorts of civil disturbances but weather the pain of 1984 and possibly part of 1985. A lot of planning has taken place, a number of worthwhile projects are on stream but naturally, they need time to come to fruition.

"I feel that within the next three years every person in Jamaica would be proud to say that he or she played his or her part with patience, calm, and understanding, to achieve the goal of making Jamaica a prosperous country once again. A country that pays her debts and has retained world regard as a small, struggling nation that is moving ahead. That would be the day when we can all provide a good way of life for our families. If we do not accept this as a possibility and work towards these goals, we will end up in further confusion and Jamaica as a NOTHING COUNTRY!"

Foreign Exchange Problem

Kingston THE DAILY GLEANER in English 23 Jan 84 p 2

[Text] A call on the Government to clarify to the small business sector the means by which additional foreign exchange will be brought in the country, has been made on behalf of the Small Business Association of Jamaica by its executive director, Mr Garth Rose.

Noting this was of critical importance if the sector was to remain viable and play a meaningful role in the Jamaican economy, Mr Rose said there has been no sign that the foreign exchange situation has improved since the recent devaluation of the Jamaican dollar.

Speaking at the regular general meeting of the association, he said: "Our policy-makers are assuming that the traditional export sectors will be geared to earn the necessary foreign exchange, but a closer look at those sectors will paint a different picture. The sugar industry is in virtual shambles...

our banana industry still not fully recovered from the impact of the 1980 hurricane. Moreover, both the demand and the price for our traditional exports have been falling on the world markets."

Mr Rose said that much has been made of an upturn in the bauxite industry, but even if this were realised, the effect could be more in the medium to long term, and not immediate.

Mr Rose said the sector welcomed the removal of the constraints formerly related to imports, but unless foreign exchange became easier to come by and the commercial banks generated a system that would halt the escalating devaluation of the Jamaican dollar, then the relaxing of imports...was going to have very little effect on the economy and especially on the small business sector.

Pessimism on Exchange Rates

Kingston THE DAILY GLEANER in English 25 Jan 84 pp 1, 21

[Text] Mr Ron Sasso, chairman and managing director of Royal Bank Jamaica Limited said yesterday that the exchange rate was going to remain at an upper level despite the "defensive steps" taken by the Government and the commercial banks, until the country curbed its appetite for imported items and foreign services.

"Restructuring the exchange rates provides only temporary relief. Instituting stern police measures, if these were contemplated, would fail as they have failed before," he added.

"The act of borrowing is a mere postponement of the day of reckoning. It is the people who will have to bring about an increase of foreign exchange in the country through wise investments, improved productivity and a greater volume of exports.

"It is only when we begin to do these things that we can truly claim to be on the road to recovery."

Mr Sasso, who was addressing the twelfth annual meeting of the bank which was held at the Terra Nova Hotel in Kingston 10, said it was his considered opinion that "tough as times have been in the past, it may come to seem a mere rehearsal for the drama that lies ahead."

"I say these things not as a prophet of doom but as a realist who recognises that we are running out of options; running out of the borrowed time and the borrowed money; running out of everything except whatever courage, fortitude, self-reliance and good sense that we as a nation can and are prepared to summon up without delay.

"I speak as a realist who recognises that the misfortunes, mismanagement and misplacement of priorities which this country has experienced within the last decade have left it in no position to afford the very good life which so many

of our citizens are demanding without making a commensurate effort to earn such a status.

"We want jewellery and electronic equipment of the finest quality, yet it seems that we are not prepared to earn the foreign exchange required to bring them into the country."

The country had been going around in diminishing circles and now had reached the point where the whole population "must come to distinguish between the 'niceties' and the necessities of life," Mr Sasso said.

"We, the people, can no longer dismiss the situation as just another Government's problems. It attaches itself to all of us. It is ours to understand. Ours to shoulder and to play a part in searching for solutions to a crisis brought about by overspending."

Mr Sasso said there seemed to be no conscious effort on the part of the people "and perhaps no great example from the Government itself"--in this matter of foreign exchange conservation. Some engaged in clandestine trading. Some hoard it; and others indulge in wilful waste frittering it away on non-essentials.

"And I sometimes wonder whether the Government itself is not setting a poor example by shelling out large quantities of foreign exchange for all sorts of foreign-based services instead of making full use of what is available here.

"This irresponsible action. This failure to realise that the country is in crisis-earning little and spending much--tends to make the situation worse with every passing day," he said.

Mr Sasso said the banks were doing the best they could in a deliberate effort to hold down the exchange rate." But the realistic rate is not what we would like it to be; not what the Bank of Jamaica would like it to be; not what consumers would like it to be; but rather what the market will take--what the purchaser is willing to pay.

"That is why when the banks offered \$3.30 or \$3.40 for a U.S. dollar we got little while the street market flourished at perhaps four to one.

"The pill is a bitter one to swallow but we must take it. Until we curb our appetite for imported items and foreign service, the rate is going to remain at an upper level despite the defensive steps taken by the Government and by the commercial banks...."

Mr Sasso declared that the greatest problem facing the Government was the challenge to give inspiration to the people and to provide the direction to work harder, to be patriotic, to be united and to be productive in the interest of themselves and the country.

The Government, he said, also needed to improve its communication with the people, not the one-way flow of publicity material.

"What we need is dialogue, the two-way communication that involves the Government and those whom they govern. What we need is common understanding of what the Government is trying to do from time to time and this can come only when the Government and the people are acting unison and partnership," he said.

The Government, Mr Sasso said, should also take the people into its confidence and not have them "waiting helplessly, wondering what next is to happen."

"The salvation of Jamaica is not the responsibility of the Government alone, or of the Prime Minister alone. We all have a part to play and this fact must be recognised by all concerned."

Mr Sasso reminded those who were trading on the black market and those who were 'stashing away' dollars for the possible day of migration, to "remember that with every transaction of that nature, you are making life in Jamaica that more difficult.

"You are delaying and sabotaging every effort to restore the economy of the country...."

Mr Sasso reported that Royal Bank's profit had been limited to 17 percent last year due largely to the fact that in the business of foreign exchange transactions, "we chose to hold 'cold strain' in the national interest while some other institutions were making fuller use of the profitable opportunities which presented themselves."

New Financial Measures

Kingston THE DAILY GLEANER in English 25 Jan 84 pp 1, 21

[Text] A number of financial measures are to be put into effect by the Government, with the aim of improving the nation's balance-of-payments position, to contain inflation, and to induce the growth of savings.

A Ministry Paper laid in the House of Representatives yesterday by Prime Minister and Minister of Finance, the Rt. Hon. Edward Seaga, set out the new measures which are to take effect immediately.

They include increase in bank rates and a new maximum lending rate for Building Societies of 16%. Highpoints of the measures follow.

--A ceiling of 12% will be improved on the amount which commercial banks as a group and each individual bank may increase credit to the private sector, starting from January 1 this year.

--The overall liquid assets ratio of commercial banks will be raised to 40% from its present level of 36%.

--The cash reserve ratio of the commercial banks will be increased from 5% to 10%.

--The banks will no longer be allowed to include the so-called "foreign currency float" as part of their liquid assets ratio.

--The liquid assets ratio for the financial institutions operating under the Protection of Depositors Act (Merchant Banks and Trust Companies) will be increased from 10% to 15%.

To monitor the level of unsatisfied demand for foreign exchange, a deposit scheme will be introduced under which all bona fide requests for due foreign exchange payments of commercial banks and the Bank of Jamaica must be accompanied by a local currency deposits equivalent to the foreign currency demanded, at the prevailing exchange rate.

Adjustments are also being made to prevent interest rates on deposits from getting "too far out of line" with the inflation rate, and also to use the interest-rate mechanism to restrain the growth of demand.

Three adjustments include an increase in the bank rate from 11% to 13%; an increase in the rediscount rates operated by the Bank of Jamaica, by the same margin of 2%; increase in the minimum interest rate on savings deposits in commercial banks from 9% to 11%; increase in the maximum lending rate of Building Societies from 14% to 16%.

Text of Ministry Paper

Kingston THE DAILY GLEANER in English 25 Jan 84 pp 20, 21

[Text] Following is the text of Ministry Paper No 5, on Monetary Policy Measures, tabled in Parliament yesterday by the Prime Minister and Minister of Finance:

"In 1981/82 the Government launched an economic recovery programme with the objective of restoring economic growth, the containment of inflation and sustained improvement of the balance of payments.

"After seven years of negative growth between 1974 and 1980 the economy registered positive growth in each successive year ranging from 3.3 percent in 1981 to 1.7 percent in 1983. This was achieved against a background of the severest recession in the developed countries for over 50 years. The percent projections indicate that we should achieve positive growth of about 2.0 percent in 1984.

"The economy also achieved a dramatic turn around in inflation from the situation which existed in the late nineteen seventies when inflation reached a peak of some 49 percent in 1978. The inflation level was reduced to 5.1 percent and 6.9 percent in 1981 and 1982 respectively. This was a remarkable performance which can stand comparison with almost any country.

"During 1983 there was an upward movement in inflation which rose to a level of 16.6 percent. We have to ensure that this trend is contained so as not to jeopardize the success which has been achieved in other areas.

"As far as the balance of payments is concerned, we have not been as successful as in the areas of economic growth and the containment of inflation. The recovery programme aimed at a sustained improvement in the balance of payments performance resting more on Jamaica's external earnings and less on concessionary finance from external sources.

"The programme required a build-up of liquid reserves of the Bank of Jamaica consistent with the country's import requirements, an appropriate exchange system and viable Central Bank operations. However, the external environment has militated against the achievement of these objectives.

"The liquid reserves of the Bank of Jamaica remain at levels not consistent with non-bauxite imports. The major factors which have accounted for this situation are the following:

- (i) the drastic decline in exports of bauxite and alumina, our major export commodities, as a result of the deep recession in the industrialized countries from which they are just now beginning to recover.
- (ii) the slow rate of growth of other traditional exports such as sugar and bananas.
- (iii) the rapid escalation of the country's foreign debt service burden which, together with payments for oil imports accounts for a large share of inflows of foreign exchange.
- (iv) the high level of illegal private capital outflows from the country.

"For the forthcoming year, it is expected that the balance of payments will be favourably affected by the upturn in the economies of developed countries which should influence positively output and receipts from the Bauxite/Alumina Industry.

"The AGRO-2 Programme which is substantially export-oriented is gathering momentum and should make a meaningful contribution to the export earnings of the Industrial and Agro-Industry Sector. The Tourist Industry which has grown considerably in recent years should continue its improvement.

"We have to capitalise on these factors in the management of our balance of payments and so permit the establishment of reserve levels to support adequate trade credits and other external resources which could provide sustained flows of foreign exchange.

"Certain measures have already been introduced relating to the exchange rate regime and the liberalisation of the trade and payments system as announced in Parliament on November 22, 1983. The devaluation of the Jamaica dollar would help to make Jamaica's exports more competitive and support the opportunities provided by the Caribbean Basin Initiative and other special regimes available to Jamaica for improving export earnings.

"The maintenance of the momentum of economic growth, associated with a reasonable inflation rate target and improving liquid reserves to levels of

up to six weeks of nonbauxite imports or approximately \$110.0mn (US), are basic objectives for the future. Economic management within this context must also take into account monetary and credit policy which are consistent with these goals.

"The relevant monetary projections indicate that credit to the productive sectors has to be within a growth rate of 12 percent or a net increase of about \$250.0 mn. during the next year. Provided that these resources are channelled into the productive sectors they will be adequate to achieve the growth requirements of the programme.

"While the growth in credit will be somewhat less than in 1983 it should be noted that a significant portion of loans granted in recent years did not flow into productive activity but instead appears to have facilitated the relatively large increase in net private capital outflows which the economy has been experiencing.

"The balance of payments out-turn for 1982/83 indicates a net private capital outflow of US\$73.0 mn. and the estimate for 1983/84 shows an increased net outflow of US\$115.0 mn. This compares with a net private capital inflow of US\$54.0mn in 1981/82. The available evidence suggests that a substantial portion of these capital outflows were financed through credit from the banking system which should have been used for domestic production.

"In order to encourage as large a share as possible of the credit available to flow into the productive sector, consumer credit will continue to be subject to a ceiling which will make no provision for any net addition to outstanding loans, that is, it allows for new loans to be made only as existing ones are repaid.

"This credit policy will complement the trade regime recently put into effect whereby raw materials and capital goods for the productive sector can be imported without licences while low priority and non-essential consumer goods will continue to be subject to licences.

"In the context of the limits which will have to be imposed on credit availability, the Government had decided to reduce substantially the amount of credit which it will absorb from the banking system so as not to crowd out the legitimate needs of the productive sectors.

"In order to attain the objectives outlined above in relation to improvement of the balance of payments and the containment of inflation and also as an inducement to the growth of savings which are crucial for the development of the economy, the following measures will be put into effect immediately:

(i) A ceiling of 12% will be imposed on the amount by which commercial banks as a group and each individual bank may increase credit to the Private Sector starting from January 1984. For this purpose, the Private Sector is defined to include Government Enterprises other than those designated as Selected Public Entities. There will be sub-ceilings of 3% for each quarter.

(ii) The overall liquid assets ratio of commercial banks will be raised from its present level of 36% to 40%. This is necessary to sterilise some of the excess liquidity that would be generated within the banking system and which, if translated into loans, would jeopardise the balance of payments target and/or generate additional inflation.

(iii) Within the overall liquid assets ratio, the cash reserve ratio of the commercial banks will be increased from 5% to 10%. This is to prevent the 4% increase in overall liquid assets from being held in Government obligations which would unnecessarily increase the Government's debt service burden.

(iv) The banks will no longer be allowed to include the so-called "Foreign Currency Float" as part of their liquid assets ratio. This float arises from the lag between purchases and sales of foreign exchange transacted by the banks on their own account. This change will have the beneficial result of--

(a) Sterilising some of the excess liquidity within the banking system thus ensuring adherence to the ceiling on Private Sector credit; and

(b) discouraging the commercial banks from holding unduly large foreign currency balances thus relieving some of the pressure on the exchange rate.

(v) The liquid assets ratio for the financial institutions operating under the Protection of Depositors Act (Merchant Banks and Trust Companies) will be increased from 10% to 15% so as to keep their credit expansion in line with the overall targets for the system as a whole.

(vi) To monitor the level of unsatisfied demand for foreign exchange and introduce a rational objective system as a guide to commercial banks in allocating foreign exchange to customers as long as they cannot meet all bona fide demands, a deposit scheme will be introduced under which all bona fide requests for due foreign exchange payments at commercial banks and Bank of Jamaica must be accompanied by a local currency deposit equivalent to the foreign currency demanded at the prevailing exchange rate. A similar scheme of deposits shall apply to the Central Government and Public Sector entities. Details of this scheme will be published by the Bank of Jamaica.

(vii) In order to prevent interest rates paid on deposits from getting too far out of line with the inflation rate which would provide a disincentive to savers, and also to utilise the interest rate mechanism as a restraining factor in the growth of demand, the following adjustments will be made:

(a) Bank rate will be increased from 11% to 13%. This will correct the present situation where Bank Rate is below the Treasury Bill Rate which currently stands at 12.2%.

(b) Rediscount rates operated by the Bank of Jamaica will be increased in tandem with the Bank Rate, that is, an increase of 2%.

(c) The minimum interest rate on savings deposits in the commercial banks will be increased from 9% to 11%.

(d) The maximum lending rate of Building Societies will be increased from 14% to 16%. This will enable these institutions to adjust their deposit rates so as to maintain their competitive position vis-a-vis the commercial banks. Further consideration will be given as to whether this ceiling should be abolished.

(e) To allow for greater flexibility in the amount of Treasury Bills that may be offered for bids at the auctions, Parliamentary approval will be sought for the ceiling on the amount of such Bills issued to be raised from the present level of J\$500.0 mn. to J\$750.0 mn.

CSO: 3298/427-8

INDEPENDENT OPPOSITION SENATORS PROMISE VIGILANCE

Kingston THE DAILY GLEANER in English 25 Jan 84 p 17

[Text] The independent Opposition Senators have vowed to be the watchdog of the nation in the Senate, according to their Coordinator, Senator Lloyd Barnett.

Giving what he described as an explanation on behalf of all the independent members of the Senate, Senator Barnett said that they were sitting in the Senate because they recognised a great national need and "because we sense the uneasiness among the people of Jamaica" over the Constitutional situation in which the country now found itself.

He said they were there, too, because they were sensitive to the circumstances which had brought about the new Constitutional situation, and felt that there was a duty to ensure the continuation of the Constitution system of Jamaica.

"Our presence is therefore no comment on the rightness or wrongness of the actions of the two major parties which has led us to this situation; we have our personal views on these matters. Our presence merely accepts this situation to exist and that it affects all Jamaicans," he said.

"We as citizens of Jamaica have an obligation to try to contribute something to alleviate a situation. We speak for no party. But we shall constitute ourselves as a national watchdog; we are politically entirely free agents. We do not see our role in any negative way but we shall strive to be positive," Senator Barnett said.

He told the Senate that he and his colleagues would support good causes "and we shall object to the bad measures."

Senator Barnett gave notice that when the Senate met the independent Senators intended to be on time as far as it was within their powers and to be diligent in their performance.

They had no interest, he said, in perpetuating their tenure in their offices and whenever there was an acceptable resolution to the present situation, they would gracefully withdraw. "We wish to affirm that we stand here and sit in this chamber as persons who have a duty to the country and to our conscience," Senator Barnett said.

SHIFTS MADE IN GOVERNMENT PERSONNEL RESPONSIBILITIES

Assignment of Senators

Kingston THE DAILY GLEANER in English 24 Jan 84 p 22

[Text] Three members of the front bench on the Government side in the new Senate, have been assigned ministerial responsibilities.

Leader of Government Business and Minister of Environment, Science and Technology, the Hon. Dr. Ronald Irvine, named the three Senators at Friday's sitting of the Upper House as, himself; Senator the Hon. Hugh Hart, Minister of Mining and Energy and Senator Olivia Grange, Parliamentary Secretary in the Office of the Prime Minister.

Senator Dr. Irvine will be responsible for: Local Government, Labour, Environment, Science and Technology, Foreign Affairs, Education, National Security and Justice, the Public Service and Social Security and Health.

Senator Hart will be responsible for Industry and Commerce, Agriculture, Public Utilities, Finance and Planning, Tourism, Mining and Energy and Construction.

Senator Grange will be responsible for: Youth and Community Development, Information and Culture.

After the announcement of the ministerial responsibilities, Senator, Dr Lloyd Barnett of the Opposition asked whether there was any responsibility for human rights. Senator Irvine said that human rights would be his responsibility under the portfolio of Justice.

The independent Opposition Senators are to name the subjects for which they will have responsibility at the next meeting of the Senate.

Permanent Secretary Appointments

Kingston THE DAILY GLEANER in English 25 Jan 84 p 2

[Text] As was reported in the GLEANER last week three new Permanent Secretaries have been appointed in the Civil Service.

Dr Henry Lowe, former director of energy, has been assigned to the new Ministry of the Environment, Science and Technology; Mrs Merlyn Brown, of the Ministry of Public Service and Social Security; and Mr Clarence Franklin, formerly of the Banana Board, is at the Ministry of Agriculture.

There have also been a number of transfers among Permanent Secretaries, as reported by the Jamaica Information Service.

Mr Harry Armstrong, formerly of the Ministry of Agriculture, is now Permanent Secretary in the Housing section of the Ministry of Construction.

Mr Don Brice formerly at the Ministry of Tourism, is now Permanent Secretary in the Office of the Prime Minister, and Mr Derrick Dyer has replaced him at the Ministry of Agriculture.

Mr Edward Miller, formerly of Social Security, is now at the Ministry of Local Government

CSO: 3298/428

DIRECTOR OF TOURISM RESIGNS IN DISPUTE WITH MINISTER

Kingston THE DAILY GLEANER in English 21 Jan 84 p 1

[Text] Mr John Gentles has resigned from the position of Director of Tourism because of differences between himself and Minister of the Tourism, the Hon. Anthony Abrahams. These include the question of the involvement of his wife (the former Michelle Harris, Miss Jamaica World, 1980) in a company which sold souvenirs, made locally, to the Jamaica Tourist Board.

According to an allegation made by the then PNP member for West Central St. Mary, Mr Horace Clarke, in a question tabled in Parliament last November, one order for souvenirs was paid for in foreign exchange.

Mr Gentles has not been in office since returning to Jamaica last week Friday from a promotional tour in the United States. He told the STAR Thursday night that he had not been in office because he had the flu.

Official sources were tight-lipped about the Gentles' resignation. The GLEANER was unable to contact Mr Abrahams for comment, and Miss Carole Guntley, Special Assistant to the Director of Tourism, said she could give "no comment" about the resignation of her former boss.

Mr Gentles was appointed Director of Tourism in December 1980, taking over from Mr Desmond Henry, a former public relations executive now a tour operator.

Prior to this appointment he worked as General-Manager of the San Souci Hotel in Ocho Rios, St Ann.

He was educated at the York Castle High School, St. Ann, and the Shannon College of Hotel Management in Ireland, later gaining on-the-job training in England and Switzerland.

Other job credits include Mr Gentles' work as a trainee manager at the Jamaica Hilton Hotel in 1966 and a five-year tenure as resident manager at the Shaw Park Beach Hotel in St. Ann.

CSO: 3298/429

CANE FARMERS GROUP TO HANDLE FERTILIZER PROGRAM

Kingston THE DAILY GLEANER in English 21 Jan 84 p 13

[Text] The All-Island Jamaica Cane Farmers Association ("All-Cane") has been appointed the Sugar Industry Authority's (SIA) agent for the distribution of 14,000 tons of fertilizers to cane farmers throughout Jamaica, during the 1983/84 crop year, under a five-year Canadian \$23-million (then J\$33.3 million) line-of-credit agreement signed by Prime Minister Edward Seaga and Canadian High Commissioner David Reece on Tuesday, June 14, last year.

The agreement was described by Mr Reece as "the largest single assistance loan agreement signed by our two Governments." The loan is to provide compound fertilizer over the period as a balance of payments assistance, and to support the Jamaica Government's agricultural development programme. The agreement is in two phases. The first was for C\$2-million (then J\$2.8-m) and was signed on January 5, 1983.

Repayment of the loan--which is interest free--will spread over 40 years, with a grace period of 10 years.

Importation of fertilizers is now the responsibility of the Jamaica Commodity Trading Company (JCTC). The SIA made arrangements with JCTC for "All-Cane" to be its agent for the supply of fertilizers to cane farmers, National Sugar Company's estates and private factories' estates which may require such services.

The SIA said on Wednesday included arrangements with the Jamaica Commodity Trading Company for the implementation of a fertilizer credit programme for the sugar industry, in respect of the 1983/84 crop year.

Under the arrangement:

- a) The All-Island Jamaica Cane Farmers' Association has been appointed as the Authority's agent for the distribution of fertilizers to cane farmers.
- b) It is envisaged that the programme will embrace all the requirements of the National Sugar Company Limited, and possibly one or two of the private estate, and a large number of cane farmers and could involve the distribution of up to 14,000 tons of fertilizers.

c) The Sugar Industry authority will pay over to the JCTC an amount of \$162.74 per ton to cover the local costs of the Antilles Chemical Company for the storage, blending and bagging of the fertilizers, but will receive a 240-day credit on the value of the Canadian raw material, to be settled when the second advance payment is being made to the farmers, approximately one month after the crop has ended at each factory.

"It is understood that present stocks of Sulphate of Ammonia will be distributed to the All-Island Jamaica Cane Farmers' Association at a cost of \$382.46 per metric ton and will be distributed to farmers at a price of \$398.79 per ton--an approximate 4.27% mark-up to cover distributional overheads," the statement concluded.

Under the terms of these arrangements the Antilles Chemical Company will be paid \$2,278,000 for their services, and farmers will pay a total of \$,583,000 for the 14,000 tons of fertilizers.

CSO: 3298/429

BRODERICK REPORTS ON AGRICULTURAL CREDIT SITUATION

Kingston THE DAILY GLEANER in English 21 Jan 84 p 14

[Text] Up to the end of November last year the Agricultural Credit Bank had disbursed a total of \$33.5 million for credit to farmers, and work is progressing to improve the rural facilities for the local marketing of produce, the Minister of Agriculture, Hon. Dr. Percival Broderick told the FARMERS' WEEKLY on Tuesday.

Dr Broderick further said: "Agricultural credit has undergone a programme of rationalisation with the establishment of the Agricultural Credit Bank. The Agricultural Credit Board Amendment Act also came into effect on June 10, 1983. The main effects of this Act are to transfer certain lending functions from the Agricultural Credit Board to the Agricultural Credit Bank, while the Agricultural Credit Board retains a regulatory function over those P. C. Banks not yet qualified for support from the A. C. Bank.

"Up to the end of November last year," Dr Broderick said, "a total of \$33.5 million had been disbursed by the A. C. Bank. Of this total some \$17.8 million had been disbursed to the P. C. Banks and \$15.7 million to the commercial banks.

"Work is progressing to improve the rural facilities for the local marketing of produce. Under the Government of Jamaica/International Development Bank (GOJ/IDB) project, 'Upgrading of Rural Markets,' construction continued or was started on 10 rural parish markets.

"Those in Old Harbour, Maggoty, Frankfield, Balaclava, Kellits and May Pen are almost complete. Those in Clarendon, Christiana, Port Antonio and Chapeltown are nearing the half-way mark in construction."

The Minister also said that work has progressed in the development of producer marketing organisations in Southfield, Bushy Park, More Town, Dais, Guy's Hill, Douglas Castle and Wait-A-Bit.

"The export of ethnic foods and other nontraditionals is expected to benefit from the construction of the fumigation chambers at the Norman Manley International Airport, and these are scheduled to come into operation early this year," Dr Broderick concluded.

BRIEFS

POLICE MURDER TRIAL DISMISSAL--Savanna-la-mar, Wed., Jan 20--The six men charged with the slaying of three policemen, Corporal Humphry McCalla and District Constables Eugene Senior and Gavin Hudson, at Bleauwearie in this parish on December 9 last year, were discharged today by Resident Magistrate Mr Neville Clark after the Crown failed to establish a prima facie case at the end of a preliminary inquiry. In freeing the six accused, Leo and Trevor Ruddock (no relation), Garth Allen, Dave Jolly, Elton Hamilton and Lionel Thompson, farmers of Westmoreland, the Magistrate said that although there must have been eyewitnesses to the killings, no one had given evidence as to what happened. Justice had not been done, he said. The three policemen were allegedly guarding 40 barrels of cured ganja in a hut at Bleauwearie in the early hours of December 9 when they were attacked and killed by a group of men. The inquiry began on January 11, continued January 13 and ended today. [Excerpt] [Kingston THE DAILY GLEANER in English 21 Jan 84 pp 1, 22]

GOVERNMENT PURCHASE OF ESTATE--The Government, through the Urban Development Corporation, has acquired the 12,300-acres Caymanas Estates for \$21-million. Negotiations for the acquisition of the property began in 1981, as part of the Government's overall urban development policy and National Physical Plan for the period 1981 to 2000. The negotiations were finalised on March 7, 1983, when the transfer documents were signed. The UDC which will administer the Estates for the Government, some time ago completed a study of the property and its use, taking into account its capabilities for intensive development in agriculture, housing, industrial and resort purposes. [Excerpt] [Kingston THE GLEANER in English 21 Jan 84 pp 1, 22]

SCHOOL DEBT PAYOFF--The Government is to pay over \$5 million in debt owed by High Schools run by the Government, on the understanding that the Ministry of Education will exercise stricter controls over spending in the schools, institute proper accountability in the schools, and will itself not ask schools to carry out policies which may cause them to contract debts over and above those which can be taken care of by the budget provided by the Ministry. [Excerpt] [Kingston THE DAILY GLEANER in English 25 Jan 84 pp 1, 21]

CSO: 3298/429

FOREIGN EXCHANGE CONTROLS NOT TO BE CHANGED

Mexico City EXCELSIOR in Spanish 14 Dec 83 pp 1-A, 19-A

[Text] The Bank of Mexico reaffirmed today that the exchange control system that has been in effect since 20 December 1982 will not be changed. The system establishes two foreign exchange markets: one controlled and the other free.

It was explained that the controlled market will continue to be subject to the regulations that now apply, although a continuing effort will be made to simplify them.

Transactions on the free market will not be changed, either, it was stressed. Specifically, national and foreign travelers who cross the country's borders going in either direction may bring with them whatever amount of national and foreign currency they need without being bothered about it.

The central banking institution explained that the reform of Article 23, bis, of the Organic Law of the Bank of Mexico, which comes out today, 14 December, in the Official Gazette of the Federation, will only increase the penalties for those who violate the provisions regulating the controlled market.

In practice, the spokesman added, this means that exporters of goods who do not turn over the foreign exchange earned on their sales abroad, importers who arrange excess billing for their foreign purchases, debtors who present false documentation to accredit foreign debts, in-bond plants that do not sell on the controlled market the foreign exchange they use to underwrite their costs in Mexico, or others who violate the regulations of the controlled market, can now be penalized more severely.

8926

CSO: 3248/358

SEVERAL FACTORS SEEN DAMPENING INVESTMENT ATMOSPHERE

Mexico City EXCELSIOR in Spanish 12 Dec 83 pp 5-A, 34-A

[Article by Jaime Contreras Salcedo]

[Text] Excess installed capacity, the high cost of credit, tremendous losses resulting from the exchange rate, the lack of foreign exchange and, on top of everything else, uncertainty, are the most important factors in the deterioration of investment that is expected to be far worse than the -16.8 growth rate recorded in 1982.

This is the assessment presented by the Private Sector Center for Economic Studies (CEESP) in its latest monthly report, in which it predicts that by the end of this month the annualized inflation rate will be 80 percent, and that despite certain positive signs in our battered internal finances, production and employment will continue to be depressed.

The CEESP, an agency of the Business Coordinating Council (CCE), indicates in its analysis that in the final months of this year industrial production has continued to decline, "although at a slower rate than in the previous year," and it goes on to say:

"Unfortunately, real demand has not yet slowed its descent. Only if inflation continues to decline will that indicator cease to fall."

As for the growth of the economy as a whole, the report states that the drop in public spending and in aggregate demand itself--added to the shortage of foreign exchange and the lack of domestic savings--"will have a significant impact on growth, and therefore there will be a negative growth rate of between -4 and -5 percent, for the second year in a row."

The CEESP cites the investment factor as the most volatile element in aggregate demand; whereas the private sector had spent \$514.4 million as of August, the Federation had spent \$700.8 million to import machinery and equipment. In both cases there has been a substantial drop since 1982, -80.3 and -42.9 percent, respectively.

The economists hired by industrialists and merchants state in their document that there is a direct relation between the growth of production and employment. "Thus," they observe, "it was no surprise that the severe decline in

production during the first half of the year "would sharply drive down employment levels."

Fortunately, they go on to note, "all signs indicate that the decrease in the labor factor was less than had been predicted at the beginning of the year," and they discuss the possibility that "a major role" was played by moderation in wage increases in this phenomenon, "since it has enabled most businesses to maintain employment levels as high as possible."

Specifically, in terms of industrial activity, the CEESP states that as of last August there had been a decrease of "nearly 10 percent" compared to 1982. This plunge was much more drastic in the construction sector, of course, note the researchers, while in mining (including drilling for oil, certainly) there was a decline of only 2.8 percent. Some sectors, such as electricity, even experienced a "slight increase (0.9 percent)."

During the first 8 months of 1983, oil production rose by only 0.3 percent, according to the CEESP's statistics, but such was not the case in the manufacturing sector. There production fell by 9.7 percent (including a 4.6 percent fall in the refining of petroleum derivatives). As for petrochemicals, production soared upward by 24.7 percent, although it should be noted that this sector was very successful in its exports because of the slump in the domestic market, according to ANIQ [expansion unknown] reports.

As of September, according to these economists' reports, overall industrial activity had plunged by 9 points, but real demand was far below that indicator, having fallen by 21.6 percent. The CEESP graphs presage a certain stability at these low levels of production.

By October, the following indicators were apparent: high inflation on the decline; a moderate downturn in production and the stabilization of employment at low levels; the plummeting of investment; a critical financial situation in business, the recovery of deposits and a "very modest" upward trend in financing; a surplus in the current account of the balance of payments; and a considerable lessening of the flight of foreign currency; the beginning of small payments on the principal of the private debt.

Finally, with regard to the main enemy of the system's Program for the Immediate Reordering of the Economy, inflation, the CEESP states that the plan to cut the public sector deficit is beginning to show results: "Our opinion is that in December this indicator will be at about 80 percent, in comparison with December 1982."

8926

CSO: 3248/358

CHANGING CHURCH POSITIONS ON 'CLASS STRUGGLE' DELINEATED

Mexico City PROCESO in Spanish No 372, 19 Dec 83 pp 36-37

[Text] The experience of the Latin American Christian community during recent years has shed new light on the significance of the Gospel to the socioeconomic transformation of our countries. In reflecting upon and discussing Christians and non-Christians, it is important to gather the new statements that appear to be inferred from this experience, particularly on some crucial issues, to regulate the social and political action of Christians. One of these issues is the class struggle.

The Church's traditional position on the class struggle has been based upon a distinction: as a fact, it is recognized; as a deliberate strategy for social transformation, it is rejected. Many texts of the Church's so-called "social doctrine" attest to the existence of a conflict of interests between those who hold the wealth and power and those who lack them. But the traditional ecclesiastical magisterium has cited serious reservations concerning Christians' joining in the class struggle as a freely assumed strategy.

The reasons put forth are three: 1. the Christian cannot act out of hatred, because the spirit of the Gospel is love for everyone and, specifically, pardon for enemies; 2. by the same token, he cannot assume violence as a strategy for action either; 3. the Church's mission is to save all men, and hence it cannot be linked with the interests of one class.

Today, these three arguments are undergoing revision. New events have been causing the advent, in the Christian community (or at least in a sizable part of it) of a different way of viewing the implications of the Gospel message in this respect.

1. Many Latin American Christians, including priests and bishops, have considered the capitalist system (which Paul VI described as "ill-fated") to be incompatible with the values of the Gospel and, following the guidance of their conscience and the Church's magisterium, have assumed a commitment to justice. In doing so, they have automatically taken a stand on the structural opposition to all those who uphold that system, in other words, with the class struggle.

It is their sincere experience that it is possible, not only theoretically but practically as well, to struggle against an enemy without hatred, and even

with love, just as it is possible to condemn the sin without condemning the sinner.

The Gospel commands us to love our enemies, but it does not tell us that we should not have enemies. It commands us to love everyone, but it does not tell us (nor is it possible) to love everyone in the same way. The Christian's class struggle (and this is an area open to his creativity) has a specific inspiration, and must be an expression of love, not only for the oppressed, but also, in a different way, for those who oppress them. The example of Christ, who censures the oppressor, the rich and the hypocritical, without excluding them from salvation, points out the difficult paths of true Christian love. Wanting the sinner to become converted and live should not halt the action against his sin.

The problem involved in forgiving one's enemies is similar. In specifically Christian terms, the commitment to justice is one with a complete justice which, in turn, entails forgiveness for the offenses and the restitution of justice among the offended and the offenders.

2. The rejection of the class struggle by reason of non-violence, taught by the Sermon on the Mount, is also under obvious revision. Apart from the fact that the legitimacy of armed insurrection against injustice under extreme circumstances has been a traditional teaching in the Church, it has become evident that the concept of violence allows quite varied meanings. Physical aggression is violent, but pressure, protests, public complaints, labor union struggles and even a dry scientific article exposing the mechanisms of oppression can be violent as well. The class struggle assumes all these forms; in fact, it is not reflected in physical aggression except under unusual circumstances.

New events in Latin America question this traditional argument. The defense of human rights which the Church hierarchy has been assuming in many of our countries is already a form of violence accepted as both necessary and compulsory. The political participation of Christians, emphatically encouraged by the Puebla Conference, obviously implies entering the troubled, violent area of class confrontations. One even wonders whether many instructions from the Church's magisterium, dating back to Leo XIII, were not incursions into the class struggle, as a need for strengthening the labor union and peasant groups, the defense of the right to strike, the legitimatizing of agrarian reforms and nationalizations, the severe criticism from the recent Popes of the multinationals or the denunciation of the large estate holders made by John Paul II at Oaxaca.

In the realm of action, the experience of many Latin American Christians working to promote popular groups also attests to the obligation to assume an active role in the struggle between the classes, accepting its burdens of inevitable violence. The most fundamental activities associated with conscientization and organization of workers and peasants are considered by the dominators to be destabilizing and cause confrontations of variable but unmistakable violence.

3. The third argument, which holds that the Church's universal mission would exclude a class option, has also been overcome by the conscience of many Latin American Christians.

On the one hand, it has been made clear that justice is an integral part of evangelization (in other words, of the preaching of the good news); and the Church's magisterium has taken, in the "preferential option for the poor," the deepest and most specific direction of Christians' social sensitivity since the earliest centuries. On the other, the practice of many committed Christians appears to confirm the statement of a theologian (Girardi) who claims that "class consciousness has become an essential dimension of the new Christian conscience" ("Christianity and the Class Struggle," Cerf, 1972, p 181).

The Church's universality certainly implies that all social classes are called to it, but faith in Jesus Christ imposes different obligations on each individual based on the class placement that is his own. Christian brotherhood cannot be based on ignorance of the oppression of some Christians by others, but rather on the conversion of all. Because of its very universality, the Church is obstructed by the class struggle, and the latter constitutes a dilemma for which a decision is compulsory for all its members. If this assertion may bother rich Christians, let them realize that it is only a softer version of "one cannot serve God and money."

Hence, progress has been made in clarifying the Christian position regarding the class struggle. The worsening of the conflicts and the response from the living Church have helped to exorcize it from connotations that appeared unacceptable at other times.

The matter of this clarification's reconciling Christians with Marxists on this crucial issue is something else. The Christian who consciously accepts his participation in the struggle on behalf of the oppressed is perhaps close to the Marxist in the realm of action, but is not identified with him. He still has a different view of the nature of this struggle, no less than his point of departure and arrival.

To the Marxist, the class struggle reflects a law of dialectical materialism; it necessarily results in the dictatorship of the proletariat, an essential step toward the communist society; the use of any means that is effective is ethically justified in it; and the objective changes in the relations of production are more important than the qualitative transformation of the individual. On all these points, at least insofar as they are imbued with an immanent view of the individual and of the world, or are opposed to human freedom, ethics and dignity, Christians are dissociated from Marxism. To them, the class struggle is a reflection of a faith that is in confrontation with the powers of this world, anticipating a reign of love and peace, founded upon the conversion of the heart. The classless society, which is sought sincerely and radically, is not confused with the liberation and salvation of Jesus Christ, although it may contribute to the latter. The dynamics of

this struggle is not an inevitable law of matter, but rather the force of their hope in the resurrection of Jesus. For this reason, the means that the Christian uses in the struggle cannot consist of the negation of the ends that he is seeking, such as hatred or ethical arbitrariness would be.

The Christian's participation in the class struggle on the side of the oppressed, therefore, has specific dimensions. Owing to his all-important faith, he makes it relative and critically purges it of its potential dogmatism. To him, this struggle is a reflection of Christian love, the power of which to transform the world he is discovering in history. Without a decline in his revolutionary militancy, he distrusts merely political victories, because he has observed the ravages of power in the sad history of his own Church. Without triumphalism, he realizes that the fact of his cooperation in the liberation of others does not preclude his still remaining in need of liberation himself.

In the dialog between Marxists and Christians, particularly in Latin America, the class struggle is still an issue marked by fruitful rapprochement as well as deepseated differences. If the liberation of our peoples must necessarily include the religious phenomenon (as is becoming increasingly clear each day), it will be important to continue this dialog, despite its difficulties.

2909

CSO 3248/366

MENDEZ ARCEO ISSUES APPEAL TO NICARAGUAN BISHOPS

Mexico City PROCESO in Spanish No 371, 12 Dec 83 p 47.

["Unabridged text" of letter sent by former Bishop of Cuernavaca Sergio Mendez Arceo to the bishops of Nicaragua, 9 Dec 83]

[Text] Fellow bishops and all Christian people of Nicaragua:

From afar, and adhering to the texts published in the newspapers, I again appeal openly to your consciences as members of the pilgrim Catholic community in Nicaragua, and shepherds of it.

On 20 November, the news was broadcast that the American ambassador to Costa Rica, Curtin Winsor, had declared that the United States "cannot live with a Marxist-Leninist regime" in the region.

Hence, the United States would be the natural ally of the Nicaraguan episcopate for eliminating the Sandinist government, and you prefer invasion, because you are not doing anything to oppose it, you are constantly quarreling with the Sandinist government and you are weighing the supposed, correctable evils of the regime against the certain, very serious evils of the invasion.

Pastors can teach an ethical lesson, but one that is well founded and never contrary to the expressed will of God. Our "path that is better than any other" (1 Cor 12, 31) is that of charity which forgives everything, believes everything, hopes everything, withstands everything. Charity never ends.

How can the people, most of whom are Christian, believe in a Bishops Conference inspired by suspicion, fear and distrust, if it calls for disunity and disobedience, which are of course accepted by a minimal, elitist portion of the populace?

You are once again admitting that (as usual) you have been invited by the Junta and the secretary to publish a communique filled with vague, inaccurate statements, with the declaration of a support from you that has not been demonstrated for the national and international effort aimed at achieving peace.

What support have you lent when you claim insufficient openness in the Nicaraguan news media, which could be very easily checked, to justify your silence concerning the counterrevolutionary attacks, destruction and genocide on the borders? If you had accepted the invitation from the bishops of Honduras, if you had expressed yourselves critically but responsibly regarding those frequent very serious incidents, now your statements would be credible. The news media even published your regrettable general views on military recruitment, which were, rather, a delegitimizing of the country's legitimate regime.

How can you compare the threat against the nation, the return to imperialist enslavement and bloodshed with an unsufficiently demonstrated, and correctable indoctrination from which you as pastors, together with all Christians, are obligated to protect and protect yourselves through suitable evangelical means and not through the help of an invasion?

There should not be a consideration merely of the flaws in the encounter between the Church and the revolution in Cuba, but rather a discovery of how to relate Cuba's undeniable service to the liberation of Nicaragua to the analysis and development of what is Christian and what is revolutionary.

The Church in any country where there is a search for a solution under socialism, which is lawful as a system opposed to anti-Christian capitalism, and the attitude of the Nicaraguan Church, in this specific instance, could be very detrimental, for example, to the Cuban Church; because it is palpable evidence that what the Church desires is power to battle against power at any cost.

Why act against history instead of joining the people in the struggle begun by the Sandinist Front, encountering Sandino and encountering Marx in order to, as Ricardo Morales Aviles has said, "study our history and our reality as Marxists and to study Marxism as Nicaraguans," in other words, as Sandinists and as Christians?

The best way for the Sandinist revolution to defend itself against the ideological counterrevolution would be the dissemination among the people of the anonymous program document followed to the letter by the anti-Sandinist Church in Nicaragua. How many suppositions! How much blindness! How much fanaticism!

Of course I am appealing to all the revolutionaries in the Christian world, who are necessarily Marxist socialists, not to continue to allow capitalism to keep daring to claim to be a defender of the so-called Christian civilization.

I have had to recall, spontaneously, the case of the Church in Guatemala during 1954, when, in the disinformation campaign of the Dulles brothers, they used Cardinal Spellman to have a CIA agent meet with Archbishop Mariano Rossell Arellano and the CIA itself, distributing, from airplanes, all over the country, the anti-communist pastoral letter, calling on the people to "rise up as one man against this enemy of God and the country." The archbishop, in view of Castillo Armas' inability to progress, despite the fact that he had a Mass

celebrated at Esquipulas, told the U.S. ambassador that direct American intervention might be the only way of protecting the anti-communists and Christians of Guatemala. But when the treacherous puppet of the ambassador was anointed the future president, in San Salvador, the archbishop sent him affectionate congratulations and "my most ardent felicitations on behalf of the nation which awaits you with open arms and admiring your sincere patriotism. May Our Lord guide you and the heroic companions in your campaign of liberation waged against atheistic communism. All of you have my pastoral blessing."

Brothers: history is a teacher of life. We prophets cannot be myopic tools of American domination. Let us recall Saint Oscar Arnulfo Romero. Let us not seek to have them impose our Christian faith nor confuse it with our political plans.

I think that Pope John Paul II, owing to his historical background, if there were a sure threat of invasion, and if questioned, would respond: "Let them be on the side of their people."

That would, indeed, be said in an unequivocal manner; because only then is the language of signs perceptible and valid.

I have read and written a great deal on behalf of the Nicaraguan people. My comments do not have the authority of the bishop over the members of his diocese; but they are convincing testimony from a member of the College of Bishops, from a Mexican and from a loving admirer of the new Nicaragua, a friend and brother of the bishops and the revolutionaries.

+Sergio Mendez Arceo
Former Seventh Bishop of Cuernavaca

Mexico, 9 December 1983.

I hear the shouting!

2909
CSO: 3248/366

PRI LEADER ATTACKS BUSINESSMEN SEEKING POLITICAL POWER

Mexico City EXCELSIOR in Spanish 14 Dec 83 pp 1-A, 14-A

[Article by Guillermo C. Zetina]

[Text] PRI leader Adolfo Lugo Verduzco once again rejected "the reactionary ambition of those who would like to combine political power with economic power," asserting that they would be infringing on the constitutional order and national sovereignty and thwarting the unfettered expression of the people's wishes. He denounced the attitude of certain business leaders, the so-called "kingpins" [cupulos], "who have seen their political adventures frustrated and, incapable of winning over the citizenry, are today condemning our political system."

In one of the most wideranging replies to the charges that business leaders have leveled at the government and the ruling party, Lugo Verduzco said that "their representatives do not have the authority to become involved in issues that are reserved for the legally established political parties" and that the law clearly sets forth the powers and duties of the employer chambers and associations."

The president of PRI asserted:

"It is neither valid nor legitimate to twist the representative role of employer associations, whose members understand and respect their social function....The law precisely delineates this social function and does not authorize their representatives to act as political spokesmen claiming to speak on behalf of the civic interests of businessmen."

The PRI leader spoke at the close of a meeting of general delegates and state leaders of the party. "We reiterate today," he said, "that the revolutionary governments that have emerged from the ranks of PRI have drawn strength from our experience and have insured democracy and ever-expanding freedoms."

He went on to say that businessmen are part of our society, exercise their citizen rights, perform their citizen duties and, like all Mexicans, "can permanently defend their political interests through the parties and associations provided for by the law within our pluralist system."

He said that PRI has acknowledged the contributions of nationalist businessmen, who fulfill their social function "responsibly and patriotically, the businessmen who invest and take risks in Mexico, who pay their taxes, who create job opportunities, who pay living wages and who show solidarity with the people and the government of the revolution in the task of national recovery."

8743

CSO: 3248/357

RETIRED BANKER EXPRESSES VIEWS ON NATIONALIZATION

Mexico City EXCELSIOR in Spanish 14 Dec 83 pp 4-A, 28-A

[Article by Federico Ortiz Jr]

[Text] There is no break between former bankers and the government. What we need to do is work to help Mexico make progress. Nothing has happened to the country. We are at peace, retired banker Anibal de Iturbide asserted yesterday. He is one of the founders of the Banco de Comercio and the Banco Comercial Mexicano.

Interviewed at the close of the inauguration of the Administrative Center of the Mexican Telephone Company, he explained that banking in Mexico had, in fact, been nationalized before 1 September 1982, because it was totally controlled by government rules and regulations.

In response to a question from reporters, De Iturbide, who served several times as president of the Bankers Association, said that he did not feel personally attacked by the nationalization. The nationalization, he said, came about because there was a heavy outflow of capital in mid-1982. This is why President Jose Lopez-Portillo made the decision.

We have gotten through the toughest stage of the crisis, he said, but we have still not recovered. Several years of hard work are still in store for us. This is not the time to criticize; it is the time for hard work to help Mexico progress. If we take a look at Mexico's condition, we will see that nothing has happened to the country. We are at peace and we need to work hard.

It is possible that some people felt attacked by the nationalization, he said, but this does not affect us at all because we all need each other and we must all serve the nation.

He reiterated to newsmen that there is no break between former bankers and the government.

8743
CSO: 3248/357

BRIEFS

IN-BOND PLANTS' VALUE DROPS--The value added by in-bond plants during the first half of 1983 totaled \$365 million, 21 percent less than in the first 6 months of the preceding year. The slump is linked to the dollar's stronger position in the purchase of the input most heavily used in production in this industry, manpower, which represents approximately 60 percent of the total. "Examination of the Economic Situation of Mexico," a bulletin put out by the National Bank of Mexico, states this in its October 1983 issue, and adds: "The greatest progress took place in the electronics sector. In general, facilities are not yet utilizing their full capacity because of the natural lag between the economic recovery of the United States and the reactivation at the sector level. In addition, the shortage of personnel has some impact. In view of the increasing demand, intra-sector rotation increased substantially (up to 35 percent), and in the border markets, labor crosses the border to the United States, attracted by high wages. It is estimated that the labor force of the in-bond plants totaled 140,000 people in September, a 9 percent increase over the same month of 1982. We feel that despite the lack of manpower, our prediction that this industry will generate \$1 billion will still come true." [Text] [Mexico City EXCELSIOR in Spanish 12 Dec 83 Financial-Cultural Section p 1] 8926

JALISCO PLANTS OPERATING BELOW CAPACITY--Guadalajara, Jalisco, 13 December--Businesses are now working at 70 percent of their installed capacity, given the persistent shortage of raw materials and financial resources, stated the president of the Business Center of Jalisco, Tomas Lopez Rocha. He indicated that during this time of economic crisis, businessmen are making every effort to keep their payrolls intact, and he pointed out that 1984 will be a difficult year for industry. [Excerpt] [Mexico City EXCELSIOR in Spanish 14 Dec 83 p 40-A] 8926

ECONOMIC CRISIS, 'FOREIGN SECTS' LINKED--Guadalajara, Jalisco, 18 December--Father Adalberto González, the chief of public relations and publicity for the Archbishop's See of Guadalajara, has claimed that the crisis, inflation, unemployment, the population's material needs and the loss of moral values have been used by religious sects seeking followers, which are expanding rapidly. He warned that many of these sects come from abroad and are being financed primarily by the United States. He added that this situation is not due to the presence of dissatisfaction with the Catholic Church, but rather to the current situation caused by the crisis, of which the representatives of these sects are taking advantage. This has been indicated by polls taken in the cities, towns, hamlets and other settlements. He said that it has been noted

that there are people who are neither Christian nor Protestant, owing to their confusion, which is what is serious. He added that the dehumanization and the influx of cultures from other countries have brought about the invasion by models with a foreign influence coming from the United States, which are causing this religious problem. He noted that the Church now proposes greater penetration into evangelization, to counter these movements, and remarked that seminarians are now going to the mission fields to bolster the Catholic religion. He claimed that there has definitely been a loss of moral values and this, added to the crisis, has caused this invasion of sects that are only achieving total confusion among the populace. [Text] [Mexico City EXCELSIOR in Spanish 19 Dec 83 p 35-A] 2909

CSO: 3248/366

DETAILS OF 1984 BUDGET ADOPTED BY NEVIS ASSEMBLY

Basseterre THE LABOUR SPOKESMAN in English 14 Dec 83 p 1

[Text]

On Monday of this week (12 December) the Nevis Island Assembly held its Budget Session for the period 19 September - 31 December 1983 and also for the period 1 January - 31 December 1984. The Nevis Appropriation Ordinance 1983 and the Nevis Appropriation (1984) Ordinance 1983 were introduced by Hon. Simeon Daniel, Premier and Minister of Finance of Nevis.

The two Budgets reveal the following expenditure for recurrent and non-recurrent expenditure and for capital expenditure for the Island of Nevis -

	<u>19 September - 31 December 1983</u>	<u>1 January - 31 December 1984</u>
recurrent)		
and non-)	\$3.14 million	\$10.97 million
recurrent)		
Capital	<u>\$7.41 million</u>	<u>\$28.93 million</u>
	<u>\$10.55 million</u>	<u>\$39.90 million</u>

According to Premier Daniel, \$2.92 million out of the \$10.55 million for September to December 1983 is expected to be collected in Nevis during the period.

The remaining \$7.63 million is to be met by grants and loans, including grants from the Government of St.Kitts-Nevis. Mr. Daniel is also the Minister of Finance in the Government of St.Kitts-Nevis.

The Nevis Premier further stated that of the \$39.90 million to be spent in Nevis in January - December 1984 \$10.2 million is expected to come from revenue. The remainder \$29.70 million is expected from grants, loans and external aid.

Very interestingly, Mr Daniel refused to disclose how much of the \$10.2 million from revenue is to be collected in Nevis.

Special note must also be taken of the following statements made in Premier Simeon Daniel's Budgets -

1. Nevis is expecting to obtain all of the money it proposes to spend in 1983 and 1984. Nevis is not planning for any deficit budget, i.e. a budget where you receive less than you spend. Indeed, the Nevis Premier said there could well be a surplus position - where you receive more money than you actually spend. (The St.Kitts Nevis Budget, on the other hand, is showing an increasing deficit from year to year under the Simmonds Government)
2. The Nevis Government has not introduced any new taxes in Nevis and has not proposed any increase of taxes in Nevis.
3. The Nevis Government has provided money both in its 1983 and in its 1984 Estimates of Expenditure for the Audit of the Nevis accounts in Nevis.
4. Separate and apart from the moneys to be spent by the Government of St. Kitts-Nevis for tourism promotion for both St.Kitts and Nevis, the Nevis Government is allocating money for the specific tourism promotion of the Island of Nevis.

One of the outstanding features of Monday's meeting of the Nevis Assembly was the continued emphasis by the Nevis Ministers that Nevis is now an autonomous (i.e. independent) country and that the people of Nevis are now fully in charge of their own affairs.

EC COMMISSION FINANCING FOR DEVELOPMENT PROJECTS

Coronie Rice Polder

Paramaribo DE WARE TIJD in Dutch 9 Dec 83 p 1

[Text] The delegation from the EC commission in Suriname announced that on last 2 December the commission decided to finance the community rice polder project in Coronie for a total amount of 7.65 million ECUs (the ECU--European Currency Unit--is a "little basket" of the 10 EEC currencies, and corresponds at the moment to 1.60 Suriname guilders).

The Coronie district, in earlier days a prosperous region, has undergone a sharp economic decline since the last world war. The already none too large population (approximately 3,000) fell even lower through emigration. For several years, however, the district seems to have been awakening from its lethargy, and--with the aid of the government and the Agricultural Bank--has made a strong start in irrigated rice cultivation, imitating the neighboring district of Nickerie. Since 1978, around 200 farmers, united in 30 associations, have succeeded in provisionally reclaiming more than 200 hectares and, in the process, in obtaining high paddy yields in the not all too wet or too dry years.

Strong support

The goal of the EOF [European Development Fund] project is to strongly support this development by laying out a first polder of 1,650 hectares with adequate infrastructure for irrigation, drainage and sluicing--this to make the rice cultivation less dependent on the climate (as far as both the sown surface and the yields per hectare are concerned). The project will at the same time provide for building and equipping a technical center to be administered by the Coronie Foundation for Agricultural Development (SOOC).

This center, situated in Totness-Friendschip, the district capital, will include offices and apartments, stores, workshops and hangars, as well as a complex for drying and storing rice with a capacity sufficient for 2,000 hectares of rice plantings.

90 farmers

The direct result of this project, which will be completed in the next two to three years, will be to increase the average yields per hectare during the two seasons from 5.5 to 8.5 tons per hectare, and to at the same time raise paddy prices for the farmers, as they will no longer be forced to sell to private buyers immediately after the harvest.

The grounds for the project will be distributed among 90 farmers by the cooperative within the framework of a contract that will provide, among other things, for a moderate contribution by the tenant for the increase in the land's value and for passing wholly on to the farmer the polder expenses and the costs of the SAOC's services.

Costs of 13.2 million

The total costs of this project are estimated at 12.2 million Suriname guilders (7.65 million ECUs) and will be financed by the EOF in two ways:

- a) The agro-industrial part (drying-storage) for 4.5 million Suriname guilders (2.7 million ECUs): through a special loan on easy terms (one percent interest, repayment period of 40 years starting with a 10-year grace period) the EOF will make to the Suriname state, which will then loan it on to the SAOC.
- b) The remaining parts of the project to the amount of 7.9 million Suriname guilders (4.95 million Ecu's) as a gift.

Here it must be noted that this is a matter of a so-called gross parcel out project, i.e. the investments within the parcels will be realized by the farmer himself (in general, with financial means made available by the Agricultural Bank).

EC cooperation

The Coronie community rice polder project is an important component of the so-called Initiative Program of the EC cooperation with Suriname under the second Lome Agreement for the 1980-85 period (total amount 38 million ECUs or 68 million Suriname guilders).

Other projects that have already been financed from this program involve construction of a wooden bridge over the Suriname river near Carolina (in full progress), surfacing the Alkmaar-Tamanredjo road (work by contractor started last June), construction of the LTS [Lower Technical School] at Geyersvlijt and provisions for health care in the interior--second pahse (work to start at the beginning of 1984). Six other projects of this Initiative Program are still at the stage of active preparation.

Road Improvement

Paramaribo DE WARE TIJD in Dutch 9 Dec 83 p 1

[Text] Recently, the directors of Public Works, Telecommunications and Construction Industry and the Suriname Planning Office Foundation,

accompanied by the district commissioner of Commewijne and representatives of the EOF, paid a working visit to the currently ongoing project "Surfacing the Alkmaar-Tamanredjo Road."

As is known, the leader of the revolution, Lieutenant Colonel Desi Bouterse, gave the starting signal for the paving phase of this project last 13 November by laying the first stone.

The surfacing of the nearly 10-km long road connecting Alkmaar and Tamanredjo is being carried out by the Suriname Construction Company Inc. at a cost of 1,560,157.75 Suriname guilders and is being financed by the EOF. Surfacing the road will result in making transport between Almmaar and Tamanredjo faster, safer and, above all, cheaper.

The surfacing of this road must also be viewed against the background of the Commewijne Agricultural Development Plan (LOC) that has been progressing at an accelerated rate since 25 February 1980.

Present at this working visit were, among others, Master of Laws H. Blinker, acting director of the Development Projects Directorate, Engineer P. van Kanten, acting director of the Suriname Planning Office Foundation, the EOF representative Mr. L. Mooren, as well as the district commissioner of Commewijne, Lcs. H. Wormer. (NVD)

12507

CSO: 3214/16

DETAILS OF PROPOSED 1984 BUDGET, OTHER FISCAL MATTERS NOTED

Highlights of Chambers' Speech

Port-of-Spain TRINIDAD GUARDIAN in English 12 Jan 84 p 1

[Article by John Babb]

[Text] Prime Minister and Minister of Finance, Mr George Chambers, yesterday emphasised the need for spending cutbacks in 1984, and in doing so led the way with the presentation of a reduced Budget compared to last year's \$9.9 billion.

He told the nation of his proposals to raise an additional \$887 million through increased taxes on a variety of items--from fruit juices to land-holdings.

Coupled to recurrent revenue of \$6,489.8 million, this will provide for revenue of \$7.3 billion. Deducting recurrent expenditure of \$6,974.9 million will result in a current surplus of \$401.9 million this year.

In addition, the Government's proposed capital programme costing some \$1.7 billion is to be financed from \$1,170 million drawn-down from cash balances (69 percent); \$402 million from foreign loans (17.6 percent), and an estimated \$220 million (13.4 percent) from net domestic borrowing.

Debate on the Budget begins on Tuesday.

In his two-hour speech broadcast on radio and television from the Parliament Chamber in which he also revealed that the Government is to begin formal negotiations for the purchase of Texaco, Prime Minister Chambers called on the population to "face the facts."

He appealed for a collective effort by all to curtail expenditure on nonessentials, to moderate their expectations, and contain consumption in order to meet the "major challenge" facing the country in 1984--protecting the unquestionable gains made over the past decade.

Untapped for Years

Although he announced a wide variety of tax increases on a number of items, Mr Chambers' proposals were not as harsh as many people anticipated.

Instead, he chose to collect revenue from areas, some of which had remained untapped for years. One example was the land tax measure--an avenue that had not been tapped since 1918.

By reducing various subsidies the Government, he said, stood to collect \$311.4 million to finance development expenditure.

In the light of the subsidy reductions, prices went up on a host of items, including petroleum products. Premium gasoline jumped from 55 cents to 85 cents per litre; regular gasoline--from 45 to 80 cents per litre.

Prices on domestic kerosene, auto diesel, marine diesel, industrial kerosene and domestic gasoline, have all increased.

A 20-pound cylinder of cooking gas has gone up from \$13 to \$15, and the 100-pound cylinder from \$65 to \$75.

Because of the gas price increase, Mr Chambers said maxi-taxi fares should not increase by more than two percent and conventional taxis not more than five percent.

Sugar--washed grey--will also cost more, from 88 cents per kilogram to \$1.10. The price of granulated sugar will remain unchanged.

Flour has also gone up--from 86 cents to \$1.00 per kilo for counter flour, and for bakers' flour--from \$30.63 to \$35.63 per 45-kilogram bag. The prices of brand name flour remain the same.

More for Chicken

Housewives will also have to fork out more money for chicken, the price of which has been increased by 29 cents per kilogram.

Travel to and from Tobago on the Air Bridge has jumped from \$40 to \$75 return. The new coastal steamer prices are \$26 and \$40, and \$100 for trucks and trailers.

Land and building taxes have also been increased. Likewise the purchase tax on a wide range of items--from pet foods to building materials furniture, soaps, paints, jams and jellies, etc. All will be subjected to a ten per-cent increase.

Liquor drinkers as expected, have not been spared. No more foreign exchange will be released to import beer, and the excise duty on beer, rum, rum punch, gin and whiskey, has been increased. Likewise the excise duty on some petroleum products, including premium and regular gasoline.

The tax axe also fell on the video clubs which now have to pay a licence fee of \$5,000 each, plus a 20 percent tax on the rental of video tapes. Video and electronic games will also feel the pinch.

In his tax collection proposals Mr Chambers also waved a red flag warning to the self-employed. He hinted that the Board of Inland Revenue would move in on them this year.

He also devised a way in helping to defray the climbing cost of the health services by collecting a surcharge on national insurance. That surcharge will be tax deductible. This cuts out the freeness in health that existed over the years.

Upcoming increases will also affect water and sewerage rates, which will climb 50 percent.

Other increases will affect services offered by Government departments--like passports, work permits, certificates of character, etc.

Price Increases

Port-of-Spain TRINIDAD GUARDIAN in English 12 Jan 84 p 1

[Text] Increases announed in the 1984 Budget Speech by Minister of Finance and Planning, Prime Minister George Chambers, in the House of Representatives yesterday were:

Petroleum products: Premium gasoline from 55 cents to 85 cents per litre; regular gasoline from 45 cents to 80 cents per litre; domestic kerosene from 35 cents to 77 cents per litre; industrial kerosene from 40 cents to 77 cents per litre; auto diesel from 45 cents to 75 cents per litre; marine diesel from 40 cents to 70 cents per litre; domestic gasolene from 45 cents to 80 cents per litre and liquid petroleum gasoline (LPG), \$20-pound cylinders, from \$13 to \$15 and 100 pound cylinders, from \$65 to \$75.

Sugar: Washed grey sugar from 48 cents to \$1.10 per kilogram.

Flour: Bakers' flour from \$30.63 to \$35.63 per 45-kilogram bag; counter flour from 86 cents to \$1 per kilogram.

Poultry: Live and dressed poultry up by 29 cents per kilogram.

Travel: Return fare for air bridge travel between Piarco and Crown Point from \$40 to \$75. Coastal steamer return fare for tourist and cabin class from \$26 to \$40. Trucks and trailers weighing 4,000 to 6,000 pounds--\$100.

Land tax from 24 cents per acre to \$20 per acre or part thereof.

Building tax: A surcharge of 100 percent to be collected on residential building tax assessments.

Stamp duty on transfer of property valued over \$300,000 up from two percent to five percent.

Purchase tax of ten percent on products such as soft drinks, fruit juices, preserved fruits, jams and jellies, sauces, mixed seasonings, prepared soups,

mineral water, furniture, soaps and other cleaning compounds, polishes, paints, varnishes, lacquers, pastry, biscuits, puffed rice, cornflakes and similar products, pet foods and building materials--this will include both locally-produced and imported goods. A number of existing ad valorem (according to value) rates of purchase tax from ten to three to effect rate increases of 15, 30 and 50 percent.

Excise duty rates on beer from 45 cents per litre to 70 cents. Rum from \$3.50 per litre at proof to \$5.00, rum punch from \$3.50 per litre at proof to \$5.00, gin from \$4.30 per litre at proof to \$10.00 and blended whisky from \$6.00 per litre at proof to \$10.00 and on petroleum products as well.

Import duty to be reintroduced on building materials such as reinforced steel, roofing materials, lumber, plumbing and electrical supplies, floor tiles, plywood, plate glass and paints.

Licensing of video "clubs" on an annual basis at a fee of \$5,000 and tax of 20 percent on rental of videotapes; also an increase on the rates and licence fees payable on pinball machines.

Water rates: Surcharge of 50 percent on water and sewerage rates.

Passage grant: Tax ordinance to be amended to limit to \$6,000 per year the amount which may be claimed free of tax as passage or leave grant.

A surcharge on National Insurance contributions to defray the cost of health services at the rate of \$4.80 per week for persons in classes one to four of the national insurance system and \$8.25 per week for persons in classes five to eight.

Review of prices charged by Government departments for a variety of services--for example passports, work permits, certificates of character and the like.

Controls on Financial Houses

Port-of-spain TRINIDAD GUARDIAN in English 12 Jan 84 p 1

[Text] Financial crash of International Trust Limited (ITL) with some \$160 million in deposits and interest due to investors, was reflected in the 1984 Budget Speech.

Prime Minister George Chambers announced yesterday that new measures will be brought to Parliament to control more effectively nonbank financial institutions.

While not mentioning ITL specifically, he said: "Recent experience has revealed the need for stringent measures to more adequately protect depositors and for the strengthening and monitoring the activities of these institutions.

"The Government is in discussion with the Central Bank on this matter as well as on related legislation and appropriate amendments to Parliament for its consideration."

He said that the rapid growth of the economy in the last decade "created a need for more sophisticated financial services which gave rise to the establishment, among other things, of a number of nonbank financial intermediaries.

"These institutions became important vehicles for the mobilisation of domestic financial resources. Regulation of these institutions became a necessity and the Government introduced the Financial Institutions (Nonbanking) Act (1979) in order to provide a framework for the orderly conduct of business and the protection of depositors."

In High Court

Mr Chambers told Parliament that when the legislation came into force some of the institutions already in operation "were not able to comply with the provisions of the Act immediately.

"Conditional licences only were granted to those institutions which gave undertakings to bring their operations into conformity with the legislation in the shortest possible time."

Nonbanking institutions include finance houses, trust and mortgage companies--but do not take in insurance companies.

Some 22 institutions are licensed under the Act of which 13 are finance companies. A Central Bank report stated that the growth rate in deposit liabilities fell to six percent (\$111.7 million) in the second quarter of 1983 "following an increase of 11.7 percent (\$197.9 million) during the first quarter."

The report noted that during the third quarter, "one finance company began to experience liquidity problems owing to a sudden increase in withdrawal of deposits."

This was in reference to the run on ITL finances shortly after its Chairman, Gilman Thomas Hussen, was convicted and fined \$7.2 million for violation of foreign exchange currency regulations. He has appealed.

The Central Bank is seeking to have ITL liquidated and a receiver appointed to handle the assets of the finance company. The matter is being heard in the High Court.

1984 Fiscal Measures

Port-of-Spain TRINIDAD GUARDIAN in English 12 Jan 84 pp 6-7

[Article: "Fiscal Measures in 1984: Govt Takes Lead in Adjustment of Expenditures in the Light of Its Anticipated Revenues]

[Text]

GOVERNMENT itself must take the lead in adjusting its expenditures in the light of its anticipated revenues, according to Prime Minister George Chambers.

In presenting the 1984 Budget yesterday he explained that the fiscal measures have been designed to achieve the objectives. Considerable resources ex-

pendent on subsidies and other transfers were instrumental in cushioning the country from the burden of imported inflation, he pointed out.

The fiscal measures for 1984, which is contained in the last part of the 97-page budget presented by Mr Chambers in his capacity as Minister of finance and Planning, reads:

FISCAL MEASURES FOR 1984:

THE major challenge which we now face as a nation is the protection of the unquestionable gains which we have made over the last decade.

During the past few years, we continued to enjoy a decidedly high standard of living even though the international economy was in the throes of a prolonged and deep recession.

This was made possible by the Government's careful handling of the financial resources which it prudently managed and accumulated during the boom years.

INVESTMENT

Mainly because of the vast investment programme undertaken by the Government, the economy continued to grow and was effectively protected from the worst effects of the world recession.

Similarly, the considerable resources expended on subsidies and other transfers were instrumental in cushioning the country from the burden of imported inflation.

Thus the price of gasoline has been kept at a rate which is among the lowest in the world, including the ma-

for oil producing countries.

The same can be said for the rates charged for the use of water, electricity, telephones, public transportation services and port facilities.

Notwithstanding the significant improvements over the years, education and health services which are generally available continue to be free. Public housing remains highly subsidised and so too are mortgages financed by governmental agencies.

Even in the area of taxation, a 1983 report of the International Monetary Fund reveals that the effective rate of indirect taxes is low by international standards.

Indeed, unlike the majority of countries, revenue from indirect taxation in Trinidad and Tobago is insufficient to cover subsidies and transfers.

However, because of the recent unfavourable developments in the petroleum industry, and the limitations of the non-oil sector, the Government's revenue position has been significantly altered and its capacity to continue its liberal subsidisation policy has been effectively circumscribed.

Given these circumstances we would be irresponsible as a Government if we did not take corrective action.

As I indicated before, the structure of domestic production must be altered so that we may continue to enjoy high levels of employment and earn valuable foreign exchange through exports.

We must also ensure that the country's credibility in the international financial markets is main-

tained since we are likely to rely more heavily on these markets as a source of funding in future years.

This can only be accomplished by the collective effort of the population as a whole.

We must moderate our expectations and contain our consumption in order that we may generate additional savings to be used for productive investments.

CURTAILING

Furthermore, by curtailing our expenditures on inessential goods and services, we will also be conserving the country's foreign exchange earnings because of the high import content of these expenditures.

The Government itself must take the lead in adjusting its expenditures in the light of its anticipated revenues.

The fiscal measures which I now present have been designed to achieve these objectives.

SUBSIDIES

The financial resources available to the Government for financing development expenditure will be increased by \$311.4 million by the reduction of various subsidies:

SUBSIDY

(a) The subsidy on the consumption of petroleum products which was introduced in 1974 resulted in a transfer of \$1,600 million to users of such products over the ten year period 1974-'83 at a cost of \$800 million to the Exchequer.

Since 1982 action has been taken to reduce the burden of this subsidy, a policy which I propose to continue in 1984. Accordingly, the retail prices of petroleum products will increase as follows:

**PRODUCT EXISTING NEW
(i) Premium PRICE PRICE
gasoline
(cents)**

per litre)	55	85
(ii) Regular gasoline (cents)		
per litre)	45	80
(iii) Domestic kerosene (cents)		
per litre)	35	77
(iv) Industrial kerosene (cents)		
per litre)	40	77
(v) Auto Diesel (cents)		
per litre)	45	75
(vi) Marine diesel (cents)		
per litre)	40	70
(vii) Domestic Gasoline (cents)		
per litre)	45	80
(viii) LPG-20 lb cylinders	\$13.00	\$15.00
100 lb cylinders	\$65.00	\$75.00

A new Price of Petroleum Products Order will be issued today and appropriate adjustments will be made to ex-refinery prices and dealers' margins.

Let me stress three factors which we should bear in mind when considering these changes:

REVENUE LOSS

- The Exchequer will continue to incur a revenue loss of about \$17.5 million in 1984 as a result of the Government's decision to hold the price of LPG, the most popular source of energy for cooking purposes, at a relatively low level; and to maintain the special price of marine diesel to National Fisheries Co. Ltd.;

- the retail prices of petroleum products in Trinidad and Tobago will only be 60 per cent of typical prices in the region and about 50 per cent of those in most of the industrialised countries; and,

- to cover these price increases we estimate that maxi-taxi fares should increase by no more than two per cent and conventional taxi fares by five per cent

(b) The subsidy paid on sales of sugar would, if continued cost the Exchequer \$200 million in 1984. The Government, after consultation with Caroni (1975) Limited, has devised a new strategy for the supply of sugar for domestic consumption.

On the basis of the new system, the subsidy will be discontinued with minimum effect on the retail price of washed grey sugar which, as of today, will change from 88¢ per kg to \$1.10 per kg. The price of granulated sugar will remain unchanged.

(c) The subsidy on flour will be removed at a saving of \$10 million. Prices will change as follows: Bakers flour from \$30.63 to \$35.63 per 45 kg bag Counter flour from 86¢ to \$1.00 per kilo.

The maximum retail price for counter flour in special districts will continue to be one cent per kilo higher than elsewhere.

Brand name flour is not affected by this measure.

(d) The structure of subsidies paid for poultry and livestock feed has contributed to a situation of over-production of poultry since farmers have been substituting a much cheaper livestock feed for poultry feed.

After review, Government has decided to reduce the subsidy on livestock feed so as to make such substitution unattractive to poultry farmers.

This will result in a saving to the Exchequer of \$18.5 million.

In the course of the year the system for payment of these subsidies will be changed so that the point of payment will be National Flour Mills rather than individual millers.

AN INCREASE

The Government has also decided that it will not increase subsidies paid for poultry and livestock feeds to compensate for a higher quoted price for imported corn and soya.

Accordingly there will be an increase of 29 cents per kilo in the price of live and dressed poultry.

(e) Government currently subsidises travel between Trinidad and Tobago on both the airbridge operated by the national airline and the coastal steamer service managed by the Port Authority.

The projected cost of these subsidies in 1984 is \$52.6 million for the airbridge and \$52.8 million for the coastal steamer service.

With effect from January 12:

(i) The return fare for travel on the airbridge will be increased from \$40 to \$75.

At this fare, the Government will still be subsidising more than one-half of the cost of air travel between the two islands at a total cost of \$38.7 million;

DOUBLED

(ii) coastal steamer charges will, on average, be doubled so that, for example, return passenger fares for tourist and cabin class will be \$26 and \$40, respectively and the charge for trucks and trailers weighing 4,000 to 6,000 lbs will be \$100.

A detailed schedule for new charges will be published.

The Government will still be paying a subsidy of \$45.9 million or 79 per cent of the cost of operating the coastal steamer service.

These measures will reduce the subsidy payment by an estimated \$20.9 million.

2. TAXATION:

The achievement of and acceptable balance in the fiscal accounts would also require additional taxation.

I shall now enumerate the measures which I propose in this regard and which will be provided for in an Order issued today under the authority of the Provisional Collection of Taxes Act, 1963.

(a) LANDS AND BUILDINGS TAXES

Property values in Trinidad and Tobago increased astronomically over the last decade, to a large extent as a direct result of the benefits of public expenditure and public policy.

Although commercial property values have been up-dated on a current basis, residential property is still valued at pre-1968 and in some cases at 1950 levels.

The time has come when property-owners must begin to contribute a share of these benefits to assist in financing the development of the country.

UPDATING

I propose to begin in the course of 1984 the updating of the register of site values which is a pre-condition for the implementation of a modern system of site value taxation.

In the meantime and pending the introduction of such a system, the following measures will be implemented:

(i) The land tax which has been collected at a rate of 24 cents per acre or part thereof at least since 1918, will be increased to \$20 per acre or part thereof;

(ii) a surcharge of 100 per cent will be collected on residential building tax assessments.

These measures will yield an estimated \$18 million in 1984.

(b) STAMP DUTY:

Stamp duty on transfers of property whose value exceed \$300,000 will be raised from 2 per cent to 5 per cent. This measure is expected to yield \$20 million.

(c) TAXES ON EXPENDITURE

I wish to again stress that the critical elements in the adjustment of the economy to meet the demands of present adverse circumstances are the lowering of consumption expenditure and conservation of foreign exchange.

Additional taxation on expenditure will not only generate revenue, but will also contribute to achieving the necessary adjustment in our spending habits.

ASSISTANCE

In the 1983 Budget Speech I announced the government's intention to seek technical assistance from the International Monetary Fund in respect of the introduction of a general sales tax in Trinidad and Tobago.

A detailed report, based on a visit by a team of fiscal specialists, was submitted in May 1983.

The report spells out in great detail the modifications to the existing system of indirect taxation which will be required over the next few years in order to administer successfully a general sales tax.

The recommended strategy of reform encompasses:

- Rationalisation of rates of tax;
- replacement of specific rates with ad valorem rates;
- extending the coverage of purchase tax and excise duties;
- reducing exemptions from import duties;
- incorporation of services into the tax base; and,
- strengthening the administration, improvement of systems and training of staff.

PRINCIPLES

Some of the principles enunciated in the report will be adopted through fiscal measures in the 1984 Budget. The following specific measures will be introduced with immediate effect:

(1) PURCHASE TAX:

Purchase tax will be extended to cover several products such as soft drinks, fruit juices, preserved fruits, jams and jellies, sauces,

mixed seasonings, prepared soups, mineral waters, furniture, soaps and other cleaning compounds, polishes, paints, varnishes, lacquers, pastry, biscuits, puffed rice, corn flakes and similar products, pet foods and building materials.

A full listing of these products will be published in the Provisional Collection of Taxes Order.

The tax is applicable to both locally produced and imported goods and will be levied at a rate of 10 per cent.

MEASURE

This measure is expected to yield \$110 million. Further, I propose to reduce the number of existing ad valorem rates of purchase tax from ten to three.

The new rates will be \$15, 30 and 50 per cent. This measure will yield about \$20 million.

(ii) EXCISE DUTY

Excise duty rates on beer, potable and other spirits and petroleum products will be increased.

The new rates will be published, but I will refer here to the main items:

Product	Existing Rate	New Rate
Beer 45	cents per litre	70 cents per litre
Rum	\$3.50 per litre	\$5.00 per litre
Rum Punch	\$3.50 per litre at proof	\$5.00 per litre at proof
Gin	\$4.30 per litre at proof	\$10.00 per litre at proof
Blended whisky	\$6.00 per litre at proof	\$10.00 per litre at proof

Henceforth, excise duty will be levied at these rates on imported products which have traditionally not been within the excise duty net.

The yield from this measure is estimated to be \$42 million.

The excise duty on petroleum products will be increased as follows:

Product	Existing Rate	New Rate
Premium gasoline (cents per litre)	3.52	10
Regular gasoline (cents per litre)	2.2	10
Kerosene (cents per litre)	1.1	7
Auto diesel (cents per litre)	1.1	7
Marine diesel	1.1	7

(cents per litre)

Domestic gasoline 2.2 10

(cents per litre)

This measure, will yield \$72.5 million. I wish to stress that the new prices for petroleum products which I have announced already take account of this measure.

(iii) Import duty

Import duty will be reintroduced on building materials such as reinforcing steel, roofing materials, lumber, plumbing and electrical supplies, floor tiles, plywood, plate glass and paints.

This measure is expected to yield \$110 million.

(iv) Licence fee and entertainment tax

The rental of video tapes is an activity which has recently grown in popularity as a form of entertainment.

This has had an adverse effect on attendance at cinemas and, therefore, on the collection of revenues from the entertainment tax.

Accordingly, I propose to introduce a requirement for the licensing of video "clubs" on an annual basis at a fee of \$5,000 and a tax of 20 per cent on rental of video tapes which is the rate applicable to sales of cinema tickets.

The Board of Inland Revenue will administer this tax.

Video and electronic games are another form of entertainment which is particularly attractive to our younger citizens.

In the 1983 Budget Speech I announced that enabling legislation would be introduced to license all premises used for the purpose of operating such video and electronic games machines on a commercial basis.

To effect this, the legislation relating to pinball machines will be amended to include such machines.

OPPORTUNITY

The opportunity will be taken to increase the rates and licence fees payable on pinball machines to realistic levels.

(d) Direct taxes

The Tripartite Fiscal Review Committee which reported in 1981 had referred to the problem of perceived widespread evasion of income tax by the self-employed.

In general wage and salaried em-

ployees have been meeting their obligations.

In this period of adjustment the Government endorses the view of the National Economic Planning Commission that all sectors of the community should contribute their fair share of the revenues.

Accordingly, in the course of this year prompt consideration will be given to recommendations made by the Board of Inland Revenue with respect to some of the administrative and other arrangements which would facilitate auditing of the incomes of the self-employed.

These measures will include a requirement for persons seeking certain licences, approvals, concessions and other benefits from Government departments and agencies e.g. licensing of vehicles, mortgage loans, NHA houses and apartments, State lands, electricity and water connections, agricultural loans, foreign travel, and the like, to provide their Board of Inland Revenue File number on the relevant application forms.

The necessary amendments to the legislation will be placed before honourable members as soon as possible.

I take the opportunity to inform the national community that during 1984 the National Insurance Board proposes to bring the self-employed within the scope of the national insurance system consistent with the provisions of the governing legislation.

Consistent with the objective of protecting the country's foreign exchange reserves, the Income Tax Ordinance will be amended to limit to \$6,000 per year the amount which may be claimed free of tax as passage or leave grant under Section 5 (1)(e) of the Ordinance.

(e) Other Measures

(i) NIS Health Surcharge

The Government has been spending substantial sums of money in providing health services to the population without charge.

With the completion and commissioning of the Mount Hope Medical Complex additional resources will be required to support these services.

Of course, more highly sophisticated health care will also be available to the population.

It follows therefore that the health services cannot continue to be entirely free of charge. In the

interim, while the Government is examining the introduction of national health insurance, I propose to collect a surcharge on national insurance contributions (which will be tax deductible) to assist in defraying the cost of the health services.

TWO RATES

There will be two rates of surcharge in recognition of the differing income levels of employed persons. The rate of contribution will be:

- \$4.80 per week for persons in classes I-IV of the National Insurance System; and
- \$8.25 per week for persons in classes V-VIII.

This measure is estimated to yield \$169 million.

(ii) Surcharge on Water and Sewerage Rates

The Government has invested substantial sums in the expansion and improvement of the water supply system.

As I indicated earlier, this country has a very high level of per capita consumption of water, the rate charged for which has not been increased since 1937 despite the high and rising cost of winning and distribution.

I propose to levy a surcharge of 50 per cent on water and sewerage rates commencing with the year 1984. This should yield \$14 million.

(iii) We have not yet finalised our review of prices charged by Government Departments for a variety of services, for example, passports, work permits, certificates of character, and the like.

During the course of the year any proposed charges will be announced.

In sum, the revenue measures which I propose are estimated to yield \$575 million.

ESTIMATES

Mr. Speaker, on the basis of the estimates which have been tabled and the amendments to be moved in Finance Committee, recurrent revenue for 1984 is forecast to be \$6,489.8 million and recurrent expenditure \$6,974.9 million.

Every Government Ministry, Department, Statutory Board, Municipality, Local Authority, State Enterprise and the Tobago House of Assembly will in 1984 have to accept a cut in its Budget re-

quest.

The measures to lower expenditure and raise additional revenue which I have just detailed will yield a total of \$887 million, so that the current surplus in 1984 will be \$401.8 million.

A total of \$1,170 million will be drawn from cash balances, thus 69 per cent of the proposed capital programme will be financed from our domestic fiscal resources.

This high level of internal financing is a major achievement in the context of declining revenues and is indicative of the resolve of this Government to continue along the reputable path of prudent management of the country's finances.

The balance of the capital programme will be funded from net borrowing both domestic and foreign, of which the latter is projected at \$402 million or 17.6 per cent of the capital expenditure programme.

ALLEGATION

Two things remain to be said. The first is that the allegation that in the years of plenty the Government did not make adequate provision for the lean years to come is utterly without foundation.

We thought that we had conclusively laid to rest these irresponsible accusations when in 1977 we published "Accounting For The Petrodollar" with a full statement about the use of the revenue surpluses for the years 1973-'77. As stated then, the publication was designed:

- for the edification of the citizen;
- to rectify the areas of omissions or commission in local comment; and,
- to correct distortions of the foreign Press and its local correspondents.

"Accounting For The Petrodollar" was re-issued in 1980 to include the years 1978-'80.

We propose to up-date this publication to include information for the years 1981 to 1983.

Those who are prepared to take time off to examine and analyse this record will find that the resources were used to:

- modernise the country's physical and social infrastructure;
- initiate a new industrial thrust so as to deepen and widen the production base of the economy; and,

- redistribute the benefits of the oil income.

A MODEL

It is also worth noting that the international financial community consistently holds Trinidad and Tobago up as a model which should be emulated by developing countries, and in the course of 1983 this country achieved the highest credit-rating in Latin America and the Caribbean.

That certainly does not bespeak mismanagement.

The second is that Trinidad and Tobago through this Budget Statement is demonstrating unequivocally a readiness, of its own volition, to deal decisively with its emerging economic problems.

Fortunately, we are already enjoying a relatively high standard of living and, it would be to our lasting credit if, as a people, we stand united in the resolve to tackle these problems at an early stage thereby ensuring that the adjustment will be that much smaller and considerably less painful.

The way forward is therefore clear. It is to face the facts and with calm assurance to forge ahead holding aloft the national watchwords, DISCIPLINE, PRODUCTION and TOLERANCE.

I beg to move.

1983 Deficit

Port-of-Spain TRINIDAD GUARDIAN in English 13 Jan 84 p 16

[Text] There was a \$2.7 billion deficit on Government's fiscal operations last year.

The 1982 deficit was \$2.3 billion.

According to the document, "Review of the Economy 1983," tabled by Prime Minister George Chambers in Parliament on Wednesday when he presented the 1984 Budget, "estimates of the Central Government fiscal operations indicate that the Budget balance at the end of 1983 was in deficit reflecting for the most part an unanticipated decline in total revenues."

There was a current account surplus of \$116 million (recurrent revenue being \$6,612 million and recurrent expenditure being \$6,495.8 million). But the deficit on capital expenditure amounted to \$2.8 billion.

The overall deficit represented 14 percent of the Gross Domestic Product (GDP) and was financed by net borrowings on both the local and external markets of about \$753 million as well as drawdowns of approximately \$1,969 million from accumulated surpluses.

The document pointed out that the fall in petroleum prices, the decline in local crude production, and the reduction of the Supplemental Petroleum Tax (SPT) led to a total fall in revenues.

Therefore, oil companies provided \$1.99 billion in tax revenues--27 percent less than the amount realised in 1982.

However taxes from non-oil companies increased to \$641 million last year. Significantly, taxes paid by individuals amounted to \$1.6 billion. As regards current expenditure, wages and salaries were roughly \$2.5 billion.

Estimated Expenditures

Port-of-Spain TRINIDAD GUARDIAN in English 13 Jan 84 p 16

[Text] Government has estimated that its expenditure for 1984 will be in the vicinity of \$7,080,881,091--an increase of \$452,730,312 over the 1983 revised estimates.

The 1984 Draft Estimates of Expenditure was laid in the House of Representatives on Wednesday and the 1984 Budget presented by Prime Minister George Chambers in his capacity as Minister of Finance and Planning.

Government's biggest spending for this year according to the draft will be loans and grants to statutory authorities in the sum of \$1,106,612,665. The Ministry of Finance and Planning will get \$836,905,894 in 1984 and the Ministry of Education \$943,199,906.

The Ministry of National Security will get \$517,200,098, with the Ministry of Health and Environment receiving \$585,011,331--an increase of \$27,979,150 over the 1983 figure.

The Ministry of Community Development and Local Government plans to spend \$478,112,716 and the Ministry of Industry Commerce and Consumer Affairs gets \$432,352,103.

The Elections and Boundaries Commission will receive \$4,238,334 less in 1984 than the previous year. The Ministry of Public Utilities and National Transportation gets \$16,366,857 less than in 1983.

Advances in Housing

Port-of-Spain TRINIDAD GUARDIAN in English 13 Jan 84 p 16

[Text] Prime Minister George Chambers said in his 1984 Budget Speech on Wednesday that Trinidad and Tobago made considerable progress in housing its population.

The Prime Minister did not go into specifics arising from last year's Budget speech, but said that the Government and "its relevant institutions" have by themselves built almost 9,000 units since 1973 while another 5,200 are under construction.

Private developers and individuals contributed substantially, and, based on the plans approved, "this could be three times as high." Additionally, 1,050 sites for housing were developed.

As regards the Secondary Mortgage Bank, which the Prime Minister spoke of in last year's Budget Speech, Mr Chambers said that this will become operative by the middle of this year, helped financially by foreign sources.

Mr Chambers also said that public housing remained highly subsidised, and so too were mortgages financed by the governmental agencies. In view of the declining oil revenue, it was necessary to look at lands and building taxes.

New measures in this area will yield an estimated \$18 million. The Prime Minister said that property values in the country had increased astronomically over the last decade, largely because of the benefits of public expenditure and public policy.

Residential property was still valued at pre-1968, even 1950 levels, he said, adding that the time had come when property owners must begin to contribute a share of the benefits to assist in financing the country's development.

This year, there will be a "modern" system of site value evaluation based on an updating of the present list.

Meanwhile, the government will do the following:

(a) The land tax, which was collected previously at 24 cents since the year 1918, will be increased to \$20 per acre or any part of an acre;

(b) A surcharge of 100 percent will be collected on residential building tax assessments.

Fall in GDP

Port-of-Spain EXPRESS in English 13 Jan 84 p 2

[Text] Trinidad and Tobago's Gross National Product (GDP) fell by 4 percent in 1983, "the first such decline in decades," says the Review of the Economy, 1983, one of the several documents tabled along with the Budget by Prime Minister and Minister of Finance George Chambers on Wednesday.

Noting that "the economic circumstances of the country have changed considerably," the review also said unemployment rose from 10.3 percent in 1982 to 11.1 percent in 1983.

Mainly responsible for the fall in GDP and the growth in unemployment was "the substantial fall in oil prices as well as a reduced level of domestic crude production."

Output by the petroleum sector fell 16 percent in 1983.

The Review said: "Of the goods producing sectors, only manufacturing experienced an increase in real output."

And in spite of a drop in import prices and tighter monetary controls, "there appeared to be a reintensification of inflationary pressures in the economy during 1983. Among the factors accounting for the upward movement in prices were the decline in real domestic production, the continuing rise in wages in excess of productivity, increases, as well as the effects of Government's adjustment measures which included a reduction in the subsidies on certain important consumer items and increases in consumption taxes."

As to Caricom trade, the Review was pessimistic. It noted that Caricom members had serious economic problems and that there "also appeared to have been numerous violations of the rules of origin, governing the duty-free treatment of regionally produced goods.

Draft Estimate Revenues

Port-of-Spain TRINIDAD GUARDIAN in English 13 Jan 84 p 3

[Text] The Government has estimated that it will have some \$9 billion in revenue this year, of which \$4.6 billion will come from taxes on income and profits, and just over \$1 billion from taxes on goods and services.

In addition, it hopes to borrow \$1.1 billion and the transfer \$782.1 million from its Long Term Development Funds, to help finance expenditure.

The Draft Estimates for 1984, released simultaneously with the Budget on Wednesday, gives a breakdown on how the Government hopes to collect the money.

In relation to taxes on income and profits, the Government estimates that just over \$2 billion will come from the oil companies; \$1.9 billion from individuals; \$639.1 million from companies; \$73 million from withholding taxes and \$281,000 from Insurance Surrender tax, altogether providing a total of \$4.64 billion.

Compared to the revised estimate of just over \$4.2 billion for 1983, the 1984 total is an increase of \$15.8 million.

In the revenue collection process, lands and building taxes which yielded \$9.3 million last year, will climb more than 200 percent this year to \$28.2 million.

Estate and Succession duties this year will yield \$4.7 million to help provide for an increase of \$19.3 million this year over property taxes in 1983 which pulled in \$13.6 million.

It is also estimated that Purchase Tax which totalled \$227.1 million last year, will climb this year to \$379.1 million.

Excise duties will jump by more than 200 percent. Last year, Excise duties yielded \$54.1 million. This year, it will pitchfork to \$171.2 million. Betting and Entertainment taxes will rise slightly to \$19.9 million compared to last year's \$18.7 million.

Motor vehicles taxes and duties this year will yield an additional 10 percent, climbing from \$211.8 million last year to \$232.3 million this year. Other taxes would bring in \$211 million to provide for just over \$1 billion in taxes on goods and services.

This is an increase of \$475.0 million over the 1983 figure.

Rise in Foreign Reserves

Port-of-Spain TRINIDAD GUARDIAN in English 14 Jan 84 p 1

[Text] The country's foreign reserves have grown by roughly \$600 million over the past fortnight.

According to Central Bank figures, reserves now stand at \$5.13 billion. At the end of last year the figure was \$4.53 billion.

The figure one year ago was \$7.1 billion.

The current reserves comprise balances, investments etc., amounting to \$4.83 billion; gold subscription to the International Monetary Fund (IMF) \$25.4 million and IMF-SDR (Special Drawing Rights) allocation \$270.8 million.

Trade Deficit

Port-of-Spain TRINIDAD GUARDIAN in English 11 Jan 84 p 6

[Text] For the month of August 1983, Trinidad and Tobago recorded a favourable Balance of Visible Trade in the sum of \$59 million when the country imported goods valued at \$460 million while exports were worth \$519 million. This compared favourably with the same month in 1982 when there was an adverse balance in the sum of \$385 million.

This was stated in a bulletin of the Central Statistical Office.

This was not the same picture for the longer period of January to August 1983 when an adverse balance was recorded to the sum of \$619 million with imports totalling \$4,418 million and exports \$3,799 million of which \$3,639 million were Domestic Exports.

For the same period in 1982 imports were more than 1983 standing at \$5,970 million and exports were also at \$5,033 million of which \$4,213 million were exports of domestic produce.

For the January to August 1983 period, petroleum products accounted for five percent imports and 83 percent exports. Excluding this figure other imports amounted to \$4,213 million and exports \$649 million.

Imports under the listing of Food and Live Animals for the same period were as follows: Fruits and vegetables, \$127 million; cereal and cereal preparations, \$126 million; dairy products, and eggs, \$107 million; meat and meat preparations, \$84 million; feeding stuff for animals, \$64 million. Imports of this increased by four percent from 1982 when the figure was ten percent.

Sugar Exports

Sugar and sugar preparations accounted for \$50 million in exports; coffee, tea, cocoa and spices for \$14 million, cereal and cereal preparations for \$5 million, fruits and vegetables for \$4 million. It amounted to two percent of exports.

Comparison of the total import figures of 1982 and 1983 for January to August shows that Crude materials increased by \$50 million, machinery and transport equipment by \$32 million, food and live animals by \$31 million, chemicals \$19 million, beverages and tobacco \$7 million.

Mineral fuels, lubricants and related material showed a decrease of \$1,683 million and manufactured goods \$12 million.

An exports comparison showed that chemicals increased by \$94 million, machinery and transport equipment by \$34 million, manufactured goods by \$24 million. Mineral fuels etcetera decreased by \$1,376 million, crude materials by \$7 million, and beverages and tobacco by \$4 million.

Caricom Imports

Imports from Caricom during the January to August period accounted for six percent of total imports at \$247 million, and exports was four percent of the total figure at \$138 million.

Jamaica accounted for 31 percent of imports and 15 percent of exports, Barbados for 28 percent of imports and 33 percent exports, Guyana 13 percent imports and 23 percent exports, Antigua for seven percent exports and St. Lucia for six percent exports.

Comparison with the same period in 1982 shows an imports increase of \$30 million while exports showed a negative balance with every member state. Exports decreased by \$125 million notably Guyana by \$69 million, Jamaica \$24 million, Antigua \$13 million and Grenada \$5 million.

Imports from St. Vincent increased by \$19 million, Barbados by \$10 million, and Grenada by \$5 million. Imports from Guyana decreased by \$12 million, and from Jamaica by \$2 million.

Excluding the petroleum sector Caricom imports valued \$246 million and exports \$71 million during the January to August period.

CSO: 3298/432-3

BUDGET FALLOUT: CRITICISM FROM OPPOSITION, CALLS FOR RESTRAINT

Panday on Rich-Poor Gap

Port-of-Spain TRINIDAD GUARDIAN in English 13 Jan 84 p 3

[Text] The National Budget for 1984, presented in the House of Representative by Prime Minister and Minister of Finance George Chambers, seeks to widen the gap between the rich and poor, according to Opposition Leader Rep. Basdeo Panday (Caroni North).

Mr Panday said that the Budget did not deal with the fundamental problems facing the country. It demonstrated an almost total lack of understanding of the problems.

"The government has called on the people of Trinidad and Tobago for sacrifice without giving the many benefits. That is to say all this Budget is about is that the government simply says to itself it needs so much money and it looked around and sees from where it could get it."

The Opposition Leader said that Mr Chambers did not tackle the fundamental problems of the economy...did not analyse the problems of the society.

Mr Panday said the Prime Minister indirectly introduced a wage freeze without price controls, in that the Budget would cause prices to go up so that the result would be a fall in the standard of living of people, particularly the poorest classes.

"This Budget will widen the gap between the rich and the poor," he commented.

Bitter Wine

Mr Panday noted that Mr Chambers did not deal with the burning issue of retrenchment. "Nor has he truly dealt with the question of Texaco, Trinidad-Tesoro, Trintoc and the oil industry.

"What the Prime Minister did was to put bitter wine in old bottles because what he said about those companies and the oil industry was nothing new.

The opposition Leader said he believed that the Budget would certainly result in a tremendous rise in the cost of living. "Burdens without benefits. That is what the 1984 Budget is all about," he added.

"What the Prime Minister gave out was a public sector accounting without dealing with the fundamental problems facing the country and he did that so as to stay in power," he concluded.

Demands for South

Port-of-Spain TRINIDAD GUARDIAN in English 13 Jan 84 p 7

[Text] Demand that the Government would use wisely the increased revenue to be accrued from the wide range of additional taxes and "that South Trinidad will get its fair share of the cake and not the crumbs," was made yesterday by Dean Saidwan, President of the South Trinidad Chamber of Industry and Commerce.

Commenting on the 1984 Budget, Mr Saidwan said: "for far too long, we have been completely ignored and while there is no doubt that the Government's revenue will be enhanced, the more serious question is the wise spending of that revenue.

"I would hope, for example," Mr Saidwan said, "that money raised from the taxation on juices etc would be passed on to the citrus farmer, as indeed taxes on sugar would be passed onto the cane farmer and taxes from NIS would result in improved medical services that the trauma experienced by people needing medical attention would be eliminated and the services improved overall."

That revenue accruing from poultry and livestock feed would be used by the Government to maximise its pasture management and that our domestic agriculture would be greatly improved.

He hoped that the Government would have made some pronouncements on its communications policy. "But there was no statement of proposed legislation in 1984, on that score and it means that our application for a television station continues to be kept in abeyance."

"I would also have hoped that work would have been started on the San Fernando foreshore reclamation project."

Mr Saidwan felt: "It is time for the people of Trinidad and Tobago to truly realise the state of our economy and tighten their belts, that the luxury of nonessential items on which we have been accustomed spending fantastic sums of money are over and that we would feel compelled to curtail our spending in these areas and seek to make wiser use of the money we earn."

Extremely Drastic

Further he said: "I hope that the merchants and taxi drivers do not take advantage of the present position by increasing their prices beyond reason, and that both the business community and the working class organisations would see the urgent need to get together, for business to be managed more efficiently and for workers to produce more."

He hope that the Central Bank would publish the list of goods that would receive "quantitative and qualitative restriction" early and make the same available to the businessmen, so that they could determine what their purchases would be and what their sales would be.

Increased fares to travel between Trinidad and Tobago was described as "extremely drastic."

Case to World Bank

Port-of-Spain EXPRESS in English 13 Jan 84 p 1

[Article by Andy Johnson]

[Text] The Government of Trinidad and Tobago is to protest the decision of the World Bank to graduate this country out of the status of borrower, according to statements in the 1984 Budget Speech, laid in Parliament Wednesday by prime Minister George Chambers.

Chambers said during the budget presentation that "we will be making the strongest possible representation to the bank" on its decision to move the country out of borrower status.

In presenting the case to the country of the international economic situation and its gloomy signs for developing countries, Chambers quoted the president of one international financial institution as saying that "the donors have not made the commitments necessary to assure that development assistance will rise to meet the challenge."

He said the matter was more perplexing in this country's case "since the World Bank has recently informed us that Trinidad and Tobago is to be 'graduated' without a phase-out lending period."

He said the bank took such a decision because of three basic reasons. "(a) Trinidad and, in comparison with most Bank borrowers, has a relatively easy access to international capital markets.

"(b) the current stage of (this country's) social development is well above the level of most Bank borrowers and above, also, the level of some countries already graduated from the bank.

"(c) net foreign exchange reserves, measured as a proportion of the country's annual imports, are also much larger than in most other countries, including developed ones."

Planning Commission Proposals

Port-of-Spain EXPRESS in English 13 Jan 84 p 3

[Article by Andy Johnson]

[Text] The National Economic Planning Commission has recommended to the Government that there should be a period of wage and price restraints in the country as a means of ensuring an equitable sharing of the "cost of adjustment," to current economic realities.

This was among the list of matters on which consensus was arrived at during several meetings of the commission which has been studying the report of the Demas Task Force--"the Imperatives of Adjustment"--on the economy.

The planning commission report was tabled in the House of Representatives Wednesday as part of the package of documents accompanying the 1984 Budget Speech read by Prime Minister George Chambers.

It said that the cost of adjustment had to be shared equitably among the different groups in the society. To give effect to this, the report said, "It would be necessary to introduce a policy of wage and price restraint and in some instances a pause in both the public and private sectors."

The report detailed seven measures which it said should adopted to make such a policy meaningful. [as published]

These were as follows: "Job Security; increased employment opportunities; restraint and in some cases a pause in prices including rent and interest; measures relating to the treatment of profits, with particular reference to use of retained earnings.

"Measures to secure the cooperation of the national community; a parliamentary review of the functions of the Industrial Court and serious consideration ought to be given to develop an acceptable concept of worker participation."

The report, dated December 29, 1983, also called for the development of "a capacity to effectively assimilate and manage new forms of technology in the national community."

It said also that there was "urgent need" for reform in the Public Service and in other areas of the public sector.

In this regard, it said, there should be greater delegation authority and steps should be taken to "streamline the bureaucratic process so as to assist the citizens of the country and to facilitate the expeditious implementation of Government's policies."

Manufacturers on Restraint

Port-of-Spain TRINIDAD GUARDIAN in English 14 Jan 84 p 1

[Text] Endorsing the proposals outlined in the 1984 Budget Speech, the Trinidad and Tobago Manufacturers' Association (TTMA) has called a special general meeting to encourage its members to exercise voluntary restraint in price increases.

In a release yesterday afternoon TTMA said that its members would also be asked to hold prices at the present level wherever possible.

However, the TTMA felt that trade unions should in addition use their influence to encourage their members to exercise wage restraint in negotiations.

"Neither the unions nor businesses will accept wage and price controls," said the TTMA.

"Voluntary restraints are therefore necessary during this period of adjustment if controls are to be avoided," other groups, particularly retailers, should also exercise price restraint.

According to the release, measures outlined in the Budget Speech were required in the existing economic circumstances.

"Measures to reduce consumer expenditure, conserve foreign exchange and reduce Government expenditure should, however, be accompanied by similar undertakings by business and individuals to manage their operations and households more efficiently," said the TTMA.

It was noted that this would involve a slowing down in the rate of growth of the economy.

Local Goods

Pointing to other measures contained in the Budget Speech, the TTMA said that it expected that the EC-O procedures would re-orient consumer expenditure away from imported products towards increased purchases of locally-manufactured products.

However, the TTMA said it was concerned that "many of the policy statements made in the Budget Speech 1984 will remain in the realm of policy unless positive action is taken towards implementation of these policies."

It was because of this concern that the association said it intended to undertake wage and price restraint.

The TTMA also noted the points made on export, agriculture and duty free concessions.

With the introduction of a comprehensive package for exports and an associated institutional support system," it is only now that manufacturers will have a total package to seek to penetrate extra-Caricom markets.

"If duty is placed on imported raw materials, then prices will rise which will affect both prices on the local market and the export thrust."

The duty free regime, the negative list and the export incentives combined would provide the manufacturing sector with requirements for achieving an extra-Caricom export thrust and should be maintained for at least five years, the release added.

As regards the package of export incentives announced in the Budget Speech, the TTMA said it had instituted plans for the formation of an exporter's association under the umbrella of the TTMA to focus entirely on export development.

Cut Imbalance

The association would work closely with the Export Development Corporation towards identification of projects and products for implementation in the late 1980s.

In this context, a list of exporters has already been compiled and the selection of specific projects for implementation has been made.

In welcoming the Budget proposals to utilise counter-trade as a means of reducing the imbalance in trade between this country and a number of its trading partners, the association said it had already done work on counter-trade and would put forward to Government proposals for consideration by the Central Bank for increasing the use of counter-trade between local and Caricom manufacturers.

However, the association warned that improvement in the administration of those agencies of Government which impact upon the manufacturing sector was a necessary prerequisite to the attainment of this export thrust.

As far as agriculture was concerned, the TTMA said it would initiate discussions with Caroni Limited and the Agriculture Ministry for the development of agri-business in order to better utilise existing plant and equipment in the country.

A committee of the food processing sector of the TTMA, one of the largest sectors, would be charged with this undertaking.

The association added it was certain that its members and member companies would continue to invest in sound commercial projects which would compensate for reduced expenditure by Government.

Opposition Complaints

Port-of-Spain TRINIDAD GUARDIAN in English 14 Jan 84 p 1

[Text] Opposition leaders have described the 1984 Budget as a sign that the country is "going nowhere" as the Budget is merely an attempt to collect and spend money and will "bite" the little man in the next month.

The views were expressed at a press conference at the office of the Leader of the Opposition yesterday, Members of the Alliance and the Organisation for National Reconstruction meeting, as the Accommodation officially expressed their opinions on the Budget presented by Prime Minister George Chambers on Wednesday.

The Opposition Leaders were unanimous in their condemnation of the measures announced in the Budget and while drawing attention to the fact that commentators were more or less commenting on the tax provisions, charged that there was lack of planning.

Sitting in at the Press conference were Mr Basdeo Panday, (United Labour Front) Leader of the Opposition, Mr Anr Robinson, (Democratic Action Congress) and Mr Karl Hudson Phillips (Organisation for National Reconstruction). Absent was Mr Michael Harris, of the Tapia House Movement, who is out of the country.

Mr Robinson said it was sad to see that the extent to which people were commenting on the Budget, they were really dealing with tax measures without seeing the Budget within the social and historical background.

Mr Chambers increased the air fares which fundamentally affected the life of the people of Tobago.

Drawing attention to the fact that he was the first Finance Minister in an independent Trinidad and Tobago, he pointed to details of the two five-year development plans. He said the country had not been able to achieve in ten years the plans for diversification and full employment, and yet the Prime Minister described the country as a model for the developing world.

Heavy Burden

Mr Panday asked why it was that after the tremendous expenditure there had been little improvement in Trinidad and Tobago.

He said that despite the talk by the Prime Minister of productivity over the past five years and all the exhortations, productivity could not be enhanced by exhortation but only if the institutions were set up.

"The Budget appears to me to be merely an attempt to collect money and spend as in past years," he said.

He felt that Government could not explain the rationale for increased fares between Trinidad and Tobago.

The ruling PNM, he said, had no direction for the economy and society and it was preoccupied on how to stay in power.

The Budget imposed an extremely heavy burden on the working class and poorer section of the society, he added.

Mr Hudson-Phillips said that the Budget convinced him that if the Prime Minister read the Demas Report, he did not understand it and had not taken the implications of the World Bank report into consideration.

While the country suffered from an acute housing problem, the Prime Minister imposed purchase taxes on building materials. Because of the provisions, landlords would be able to increase rents despite the Rent Restriction Act, he said.

The Budget was a capitalist one and the fears expressed by labour movement were fully justified, he added.

He pointed out that the Prime Minister said nothing about the "massive retrenchment in 1983" and what he did not say was that in 1984 there would be a wage freeze.

Mr Hudson-Phillips said that the Budget would really start to bite the little man in another three to four weeks.

Mr Hudson-Phillips and Mr Robinson felt that the increase in air fares and freight charges between Trinidad and Tobago was a continuation of vindictiveness and spitefulness against Tobago.

"In any twin island state, a subsidy must be paid," Mr Hudson-Phillips added.

NJAC Reaction

Port-of-Spain SUNDAY EXPRESS in English 15 Jan 84 p 7

[Text] The Finance Minister of the National Joint Action Council (NJAC), Aiyegoro Ome, who is also a deputy political leader of the party, has said in response to the 1984 Budget speech that the Prime Minister has chosen to punish the nation. National budgeting has hit an all-time low, Ome said, "the cumulative effect of lack of direction within the society."

He regretted that no comprehensible statement has been made about key areas of national development, particularly as it concerns the reorganisation of the economy, and said that Chambers' references on agriculture, for example, were scandalous, given the situation with food imports into the country.

He expressed concern at the absence of any realistic outlook for the future, whereby the nation would have been given some details about the goals that must be met if Trinidad and Tobago is to survive the years to come. Lamenting the fact that precious time is being lost while catastrophe looms. Ome warned that Chambers' call for restraint and sacrifice by the population cannot be achieved through legislation because the population has no example to follow.

The punitive approach of the Chambers Government is an exasperated response to the PNM's own flaws, he said, because when it served their narrow electoral interests the Government chose to ignore NJAC's call for restraint during the heyday of the "money is no problem" attitude.

One promised that a comprehensive statement on the 1984 Budget would soon be released pending the outcome of a conference of NJAC's leadership.

Blow to Poor

Port-of-Spain SUNDAY EXPRESS in English 15 Jan 84 p 8

[Analysis of the 1984 Budget by David Renwick, Parliamentary affairs reporter]

[Excerpts] It is difficult to fault George Michael Chambers' overall economic approach as reflected in the \$9.2 billion 1984 Budget he presented to the country last Wednesday.

Last year, Chambers came perilously close to threatening the redistributive and egalitarian foundation on which modern PNM party policy has been based when he raised consumer costs through wide-ranging purchase tax increases and froze the school nutrition programme at its then limited level.

This year he has waded into the concept of social fairness with both fists flying and a lot of people who cannot protect themselves are going to go down for the count of 10.

Let me hasten to point out that I'm not talking about fatcat unionised workers, whose rotund stomachs and weak eyesight from constant video viewing clearly indicate an ability to be able to bear a little hardship.

I refer to the people who were not at Woodford Square gesticulating on Wednesday afternoon but whose numbers nevertheless form a considerable proportion of the society--the pensioners, public assistance recipients, unemployed, unemployable and the disadvantaged in one way or another.

The Finance Minister declined to throw even a symbolic crumb their way and in the period of "sacrifice" and "economic adjustment" which lies ahead, that group which lies ahead, that group which numbers over 22 percent of the population, will be penalised most.

The middle class and unionised labour will be able to absorb higher taxi-fares, higher water charges, higher housing costs, higher cooking gas costs, higher electricity rates and higher food costs, without having to surrender any of the fundamentals of their present lifestyle.

To the inhabitants at the bottom end of the privilege scale, however, the steep rise in costs that the regressive tax package entails threatens to demolish their already rudimentary lifestyle altogether.

There is only slight consolation in the fact that that group will still continue to receive free health services at least, since only those who are

actually at work and therefore paying National Insurance contributions will be required to fund the new health surcharge which Chambers has tacked onto the national insurance system.

The 1984 Budget, therefore, advances inequality, rather than reduces it, and while the Finance Minister, who is not an incompassionate man, may consider that he could not avoid this in the short term, I am still unhappy about the lack of any evidence that he may even have tried.

After all, there was a \$401.9 million surplus from recurrent revenue, part of which Chambers could have judiciously utilised to soften the cost blow on the poor. Even \$100 million or that could have gone some way, even if the gesture were perceived as symbolic.

Chambers has shown rather more concern to keep the unionised fat-cats employed by maintaining the momentum of development expenditure, while cutting recurrent spending, including welfare, as much as he can.

He has removed a total of \$7,681,015,000 from the economy in the form of taxation and local borrowing, while returning through current and capital spending the sum of \$8,948,800,000, a net infusion of \$1,267,785,000.

The Budget is therefore growth-oriented as well as being regressive, with Chambers' intention appearing to be to try and keep the economy moving along, at however reduced pace, rather than allowing it to collapse entirely as has happened in Guyana and looks set to happen in Jamaica.

He is, no doubt, mindful of the fact that the level of employment declined by 1.3 percent between mid-1982 and mid-1983, as the "Review of the Economy," laid in Parliament at the same time as the Budget address, points out.

The numbers employed have dropped from 398,400 to 393,200 and the Finance Minister is obviously determined that they should not go much lower. In this case, he has at least remembered one tenet of PNM philosophy, which is a commitment to the fullest possible level of employment in the society.

Panday Disillusionment

Port-of-Spain TRINIDAD GUARDIAN in English 16 Jan 84 p 6

[Text] Debate of the 1984 budget expected to commence in the House of Representatives next week will be an exercise in futility.

"And unless we have one constitutional reform in which the Opposition will be able to have an input into the budget, the situation will remain the same" said Opposition leader, Rep. Basdeo Panday yesterday.

He said that since 1976 the Opposition had been calling for constitutional reform in this country "but the government keeps rejecting our pleas."

An Input

"No matter what we say the budget will remain as it is and that is because of the present constitutional set-up." He stated.

Mr Panday said that a system must be created whereby the Opposition should be able to have an input into the budget before it was prepared, delivered and debated.

He noted that the present system does not allow for that therefore it was important to have constitutional reform.

Asked to give his views on the question of immediate implementation of certain proposals in the budget, for example, increases in petroleum products such as, gasoline, Mr Panday said that the law allowed such action to be taken.

Procedure

He observed that if certain proposals were not implemented immediately, after the announcement in the Budget, there could well be 'hoarding' of certain products and much speculation by the time the budget was debated. Mr Panday said that they were not concerned too much with the practice of procedure of implementation of the proposals but with the budget itself.

He emphasised that the budget debate was really an "exercise in futility--it does not change a single line, a single sentence, a single comma or a single full stop.

"No matter what we say the Budget will remain what it is and that will be so because of the present constitutional set-up."

CSO: 3298/433-4

GOVERNMENT ACCUSED OF PUTTING INTEREST GROUPS ON DEFENSIVE

Port-of-Spain TRINIDAD GUARDIAN in English 10 Jan 84 p 3

[Text]

NEVER before in its 27-year-old history, has this Government been able to have all the nation's interest groups in such a defensive and compromising position as it now has in the current pre-budget climate.

So said social scientist Dr. Ramesh Deosaran, commenting on the "psychological adjustment the country seems prepared to make for what is expected to be a hard Budget tomorrow.

A lecturer in social psychology at the University of the West Indies, St. Augustine, Dr. Deosaran explained: "For two years now, Permanent Secretary in the Ministry of Finance, Mr. Frank Barsotti, Mr. Frank Rampersad and their cohort of finance technocrats, have pioneered the psychological programming of the people to expect stringent measures in this year's Budget. If it was not the 'fete over', it was 'pull up your socks', then it was 'the need for belt-tightening', and even 'the good times are over'."

The psychological induction was so excellent, Dr. Deosaran added, that even the nation's unions, rather than deciding to oppose low-increases and lay-offs, are more concerned that the hardships be evenly distributed across both employers and employees. And this unusual spirit of compromise as welcome as it might be, is what has given the Government an excellent

opportunity to re-shape the nation's economy and revamp its managerial systems. But the Government should be warned, this total spirit of economic accommodation may never come its way again in a hurry.

"The preparation of the public mind was so effective that from car-owner to businessman, from housewife to teacher, from oil-worker to sugar-worker, there is a strong conviction that high prices and stringent

financial controls are not only inevitable, but moreso, outside the control of the government. The man-in-the-street is even expecting increases in things which the Government itself has no intention of raising now. Imagine that," he said.

He added: "It is this psychological syndrome that has effectively been brushing aside all the cries of Government mismanagement by the opposition forces. The current situation is similar to the 'inflation psychology' wherein high-price trading and frenzied speculation are instigated not necessarily because of objective economic factors, but moreso because of the widespread feeling that 'things will go up'."

CSO: 3298/435

GOVERNMENT LOOKING FOR FOREIGN INVESTMENT IN ISCOTT

Port-of-Spain TRINIDAD GUARDIAN in English 12 Jan 84 p 5

[Text]

GOVERNMENT will be looking abroad for an investor to buy into financially-troubled Iron and Steel Company of Trinidad and Tobago (ISCOTT). Prime Minister George Chambers, in his Budget speech, explained that this strategy was being adopted "in the light of our determination to control public expenditure more rigorously."

The Prime Minister said that he would take action shortly to secure:

1. A review of the company's expenditure proposals for 1984 to effect maximum savings in the shortest possible time through drastic reductions in current levels of expenditure, among other things.

2. To enlist the services of a high-powered executive management team to secure within a stipulated time frame a suitable international partner with emphasis on technical support for the management, marketing and equity.

Mr. Chambers's comments on ISCOTT:

"STATE ENTERPRISES

I have already indicated Government's intention to enforce more strictly in 1984 the policy of requiring those companies which rely on the shareholder for annual injections of new financial resources to operate within pre-determined cash limits. In this connection, I single out the Iron and Steel Company of Trinidad

and Tobago for comment.

The determination of the United States authorities with respect to the countervailing duty petition brought by a number of United States steel manufacturers against the Iron and Steel Company of Trinidad and Tobago (ISCOTT) has been received.

The decision is that 'the net bounty or grant for duty deposit purposes for ISCOTT is 6.738 per cent ad valorem.' I remind you that this is in addition to the levy of 9.79 per cent already imposed on the shipments of the company in respect of anti-dumping charges. For the avoidance of any doubt, let me repeat Government's position on this matter. We contend that this action is demonstrably unfair and punitive, and it is our intention to make our position clear to the higher levels of the United States administration.

SUPPORT FROM US

This much having been said, I wish to emphasise once more the Government's unequivocal commitment to a development strategy involving the commercialisation of the country's abundant gas reserves by investing in commercially viable export industries.

In the case of ISCOTT we have found support for this policy from a most unlikely quarter. For you see, Mr. Speaker, in the determination of the petition, the United States Department of Commerce concluded that neither the decision of the Government of Trinidad and Tobago to proceed with the ISCOTT project nor its subsequent decision to con-

tinue investing in it was inconsistent with the requirements of commercial reasonableness.

Let me quote directly from the document 'The US Department of Commerce Countervailing Duty Determination and Countervailing Duty Order':

'On the basis of our analysis we determine the Government of Trinidad and Tobago's initial decision to proceed with the ISCOTT project was consistent with the requirements of commercial reasonableness.'

'At the time the ISCOTT mini-mill venture was initially conceived, the consensus among steel industry analysts was that projected demand would require installation of considerable new world-wide capacity by 1985.'

'In our view the Government of Trinidad and Tobago's decision to supplement its own evaluation of the commercial viability of the ISCOTT project with independent analysis by private consultants indicates a careful approach consistent with a prudent investment policy.'

SHUT-DOWN OPTION

'While ISCOTT may not yet have unquestionably proven itself as a viable, self-sustaining venture, nothing in its experience to date establishes a compelling argument that the considerations or expecta-

tions which led the Government of Trinidad and Tobago to begin the project have, in light of subsequent developments, lost all measure of commercial reasonableness.'

'Though difficulties encountered during start-up have led to substantial cost increases not contemplated in the original projections, the Government of Trinidad and Tobago's continuing commitment to the project, a commitment seconded by independent lenders, does not at this juncture appear inconsistent with commercial considerations.'

And finally, 'though shut-down is an option, it is not, on the basis of all the information available to us, the only commercially reasonable option open to an investor in ISCOTT.'

Nevertheless, in the light of our determination to control public expenditure more rigorously, I propose with respect to this company to take action shortly to secure the following:

— A review of the company's expenditure proposals for 1984 to effect maximum savings in the shortest possible time through drastic reductions in current levels of expenditure, among other things.

— To enlist the services of a high powered executive management team to secure within a stipulated time frame a suitable international partner with emphasis on technical support for the management, marketing and equity."

LABOR UNREST SPILLS OVER INTO ANTIGOVERNMENT DEMONSTRATION

Condemnation of Union Plan

Port-of-Spain TRINIDAD GUARDIAN in English 10 Jan 84 p 1

[Text] The Employers Consultative Association yesterday deplored the decision of a group of trade union leaders to opt for confrontation as their response to the economic problems facing the country.

In the face of a call by some 27 trade unions for a mass demonstration outside the Red House tomorrow, the ECA expressed the hope that "more sober counsel" would prevail instead of workers being incited to take action which would not be in their best interests.

The ECA statement was issued by the President, Mr Emile de la Grenade, following the monthly executive meeting of the Association.

"The country cannot afford this kind of unrest and dislocation," Mr de la Grenade said.

Yesterday, two of the country's largest trade unions, the Public Services Association representing monthly-paid employees of the Public Service, and the Transport and Industrial Workers' Trade Union, representing the country's 'bus workers, confirmed the decision of the Couva meeting by calling on their members to join the demonstration outside the Parliament building tomorrow when Prime Minister and Minister of Finance George Chambers is expected to deliver the 1984 Budget.

Decision to hold the demonstration was taken by officials of 27 unions meeting at the Rienzi Complex, Couva, on Saturday. Among the unions represented were the OWTU, TTUTA, Postmen's Union, Police, Fire and Prisons Services Associations, and the All Trinidad Sugar and General Workers' Union.

Following is the statement issued by the ECA:

Counterproductive

The E.C.A. is dismayed at the reported decision of the 27 unions gathered at the Rienzi Complex, Couva on Saturday to opt for confrontation in the current difficult economic situation in the country.

Specifically, the decision "that not a man must go," as the cornerstone of the confrontation tactic is unrealistic and is bound to be counterproductive.

It is in the interest of employers not to increase but rather to decrease the level of unemployment in Trinidad and Tobago as this would enhance overall purchasing power in the community and maintain the standard of living of all concerned.

Instead of inciting workers and indulging in rhetoric, we would have hoped that the trade union leaders would have been more constructive in proposing resolutions for their members to adopt.

The E.C.A. would have expected the trade union leadership to come up instead with rational proposals to deal with unrealistic worker expectations, low productivity and high absenteeism instead of supporting demands for exorbitant wages and fringe benefits. The E.C.A. and other private-sector organisations have already made such proposals at the Tripartite talks as the basis for maintaining employment and overcoming our economic difficulties.

At this particular time, the burden has to be borne by the three social partners--Government, trade unions and employers. We must all sit down in discussion to find solutions.

In the meantime, in the interest of the country, the E.C.A. hopes that more sober counsel will prevail rather than have workers being incited to take action which would not be in their own best interests.

TIWU Support

Port-of-Spain TRINIDAD GUARDIAN in English 10 Jan 84 p 1

[Text] 'Bus workers have been called out to support tomorrow's demonstration outside Parliament when Prime Minister and Minister of Finance George Chambers presents the 1984 Budget.

Mr Clive Nunez, President General of the Transport and Industrial Workers' Union (TIWU) said his union's general council met in emergency session yesterday afternoon and decided to support the demonstration call made at Saturday's meeting of trade unions which discussed the state of the economy in Trinidad and Tobago and the implications for workers.

He added: "Our union is inviting all its members to come out for the demonstration, also persons who have been retrenched over the last two years."

Political Aspects of Struggle

Port-of-Spain TRINIDAD GUARDIAN in English 10 Jan 84 p 3

[Text]

THE WORKING class in Trinidad and Tobago has begun to realise that the struggle for a better standard of living is a political one, according to Mr. Basdeo Panday, Leader of the Opposition and President General of All Trinidad Sugar and General Workers' Trade Union.

Mr. Panday, referring to the attendance last Saturday by representatives from several trade unions and workers' organisations at the forum on "the worker and the economic crisis," held at Rienzi Complex Couva, said: "This show of strength by the workers indicates quite clearly that the workers have begun to realise that their problems must be solved politically."

The unanimous decision by the packed hall, Mr. Panday said, was a call to workers to assemble outside the Red House tomorrow (Budget Day) to show dissatisfaction over the economic crisis hitting the country.

Mr. Panday hit out at "certain labour leaders standing in the way of labour unity." He said: "Labour unity is absolutely important and I believe that those who stand in the way of such unity are going to be swept away."

He said it seemed to him that there had been no labour unity because those who were at the head of

certain unions were jealous of their position and were afraid that they might not be the big chiefs any more.

Mr. Panday said that last Saturday's meeting clearly showed that the workers of this country were ready for labour unity and once the workers themselves wanted such unity, it must become a reality.

Saturday's forum was organised by most of the leading trade unions in the country, among them the Oilfields Workers' Trade Union, All Trinidad-Sugar and General Workers' Trade Union, Public Services Association, Trinidad and Tobago Unified Teachers' Association, Island-wide Cane Farmers Trade Union, Transport and Industrial Workers' Union, Prisons Services Association, Fire Services Association and Postmen's Union.

Representatives voiced their opinions openly on the economic situation as it affected the pocket and life style of the worker.

Additional Union Backing

[Editorial Report] The Port-of-Spain TRINIDAD GUARDIAN in English on 10 January 1984 page 3 reports further that members of the Public Services Association were asked to join in the 11 January demonstration against "wage freeze, retrenchment, increased inflation and 'general attacks against public servants and workers in general.'" In a separate item on the same page, the paper also notes that the All Trinidad Sugar and General Workers Trade Union and the Sugar Industry Staff Association both decided to "support fully" the call for the Budget Day demonstration outside Red House because "they felt that the unity of the labour movement was important to the working class and the country as a whole."

Criticism of Unions

Port-of-Spain TRINIDAD GUARDIAN in English 10 Jan 84 p 8

[Editorial: "Provocative Action"]

[Text]

IF trade unions do not see the labour movement as either playing a vital part in the productive process or development of our country or sharing responsibility for its economic success or failure, then we would like them to tell the nation precisely how do they see themselves and their functions.

What then are the objectives of trade unions?

Do they consider themselves simply as instruments for wringing out of employers increases in wages and other benefits for their members regardless of the financial position of the respective enterprise or the economic state of the country? If this is all that trade unions can see as their purpose for being, then prospects for the country's future development must be dismal indeed. For trade unions, instead of fulfilling their role as a force for progress, would become a serious economic liability.

DISTURBING

Now this appears to be the disturbing truth which has emerged from the meeting of trade union leaders at Couva last Saturday. None of the speakers seemed to recog-

nise or accept the fact that labour is an integral part of the country's economic process and it simply cannot go its own way in a crisis without threatening a more widespread and self-defeating disruption.

The impression created upon us by some trade union leaders at this meeting, in fact, is that the workers they represent are all foreigners who owe nothing to the country so that if the worse should befall us they could all pack up and go elsewhere.

Or it may well be that urging a positive or constructive response to the economic situation would

run counter to their ideological convictions, since they may see this as another opportunity to expose and exploit the "decadence of the capitalist system" and so bring closer to realisation their dream of the "dictatorship of the proletariat."

It is, in fact, the height of irony for some trade union leaders to agitate for changes in systems and institutions while adhering at the same time to ideas and ideologies that are both foreign and inimical to our way of conducting our affairs.

We can only join in the hope expressed by the Em-

ployers Consultative Association yesterday that the workers of our country would allow wiser counsel to prevail and refute the policy of confrontation which trade union leaders have decided to adopt as their response to the effects of the world-wide economic downturn.

Decision to hold a mass demonstration tomorrow in Port-of-Spain can only be considered as highly provocative since it is intended as a protest against budgetary measures the details of which are as yet unknown.

EMOTIONAL

We also believe that there are more responsible trade union leaders in the country who would want to rethink the implications of the hasty and disruptive response advocated at the Couva meeting. Calling for demonstrations and mass protests are the reflex and emotional responses associated with certain trade union leaders in the country and they are not noted for having achieved anything of lasting significance.

Trade unions in the developed countries have come to recognise the folly of disrupting and dissipating the economic thrust by such action and, as a small developing country, we should have the good sense to benefit from that lesson without paying the bitter price

Industry, Union Differences

Port-of-Spain TRINIDAD GUARDIAN in English 11 Jan 84 p 1

[Text] As trade unions prepare for today's demonstration outside Parliament when Prime Minister George Chambers presents the 1984 Budget, the Trinidad and Tobago Chamber of Industry and Commerce has termed the action nonproductive "and inopportune at a time when consultation rather than confrontation should be the order of the day."

In supporting a similar stand taken by the Employers' Consultative Association (ECA) on Monday, the Chamber said it viewed with great concern Saturday's decision of 27 trade unions to demonstrate.

The Chamber said: "The chamber accepts that with the downturn in the economy arising mainly from the fall in revenue in the oil sector, that some businesses are experiencing very difficult times and retrenchments and wage restraints are necessary to keep the businesses going and secure jobs until they move into better times.

"Sacrifice from all sectors is required during this period of adjustment and we feel that this economic situation is temporary and that the economy will recover."

Nevertheless more trade unions yesterday called for their members to assemble at Woodford Square, Port-of-Spain, for the demonstration.

Among them: Trinidad and Tobago Unified Teachers' Association, (TTUTA); Communication Workers Union, (CWU); Oilfields Workers' Trade Union, (OWTU) and All Trinidad Sugar and General Workers' Trade Union, of which Opposition Leader Basdeo Panday is President General.

Labour Unity

Mr Anthony Garcia, TTUTA's President said that after lengthy and exhaustive discussions Monday night, the union's General Council unanimously decided to support the demonstration.

He explained: "We certainly do not see this as a confrontation. Our presence in the picket line will be to protest any attempt, at any form of wage freeze or wage restraint, further retrenchment among assistant teachers and our presence will also be in support of the call for labour unity."

Mr Garcia, who said that some assistant teachers were already being dismissed--effective December 31, 1983--called on teachers to make appropriate professional placards.

Mr Panday said the demonstration was totally justified and contended: "It is the only avenue open to workers to indicate that they are dissatisfied with the fall in their standard of living resulting from the inefficient manner in which the economy is being run.

"The ECA should realise that the fact that workers have been driven to this level of struggle has been due in large measure, not only to Government's inability to control the business community, but to organisations like the ECA itself."

Workers, he added, should have stood up a long time ago to the rapid price increases which were totally unrelated to production costs.

No Other Way

"They should also realise that Government is not on their side in this struggle and that being the case, they have no other way to demonstrate their disapproval of the way in which an economy is being run and the fall in their own standard of living."

Mr Ian Clarke, Secretary General of the CWU, said the entire membership was invited to "demonstrate our most profound concern over the present economic crisis facing the country and our total rejection of the employers' response to the crisis, by way of retrenchment, wage freeze and other dubious methods."

OWTU's First Vice-President Mr Errol McLeod, said his union's call for its membership to join the demonstration was in "defence of the working people."

Police Measures

Port-of-Spain TRINIDAD GUARDIAN in English 11 Jan 84 p 1

[Text] Acting Police Commissioner Lance Selman has taken steps to ensure that the demonstration by labour organisations outside Parliament today does not cause any inconvenience to the traveling public, or create any disruption of proceedings in Parliament.

Mr Selman took the initiative by arranging a meeting with three union leaders. The meeting was held in a cordial atmosphere of mutual cooperation, it was reported.

Mr Kemrick Pierre of the Public Services Association, Mr Anthony Garcia of the Trinidad and Tobago Unified Teachers' Association and Mr David Abdullah of the Oilfields Workers' Trade Union, all emphasised that the demonstration would be peaceful and that no confrontation was either intended or anticipated.

The union officials expressed regret that elements of confrontation was introduced into the situation by the Employers' Consultative Association and the Chamber of Commerce, and highlighted by the media.

The acting Commissioner said he was concerned that in the area around the Red House, there was normally heavy pedestrian and vehicular traffic.

During the time of the proposed demonstration, children were likely to be proceeding through the area on their way home from school, either alone or accompanied by parents, who should avoid taking their children through this route this afternoon, he said.

Mr Selman announced that in view of the special interest likely to be taken in the proceedings today, we wished to draw the attention of the public the revised rules recently announced by the Speaker of House of Representatives which include:

1. No one must enter Parliament Chamber with any parcels.
2. Ladies entering the building and carrying pocketbooks (purses) and gentlemen with briefcases will be subjected to searches by the police.
3. Visitors must not be allowed to assemble on the verandah overlooking Knox Street. They must either enter the Chamber or leave.

Report on Demonstration

Port-of-Spain TRINIDAD GUARDIAN in English 12 Jan 84 p 1

[Text] "Is it necessary to retrench poor workers?....No...no...no."

"Is it necessary to improve a wage freeze?....No...no...no."

"Well don't tell me, tell Georgie, he running de country...."

That was one of the many chants shouted by hundreds of workers who responded to the call by their trade unions to demonstrate around Parliament while Prime Minister George Chambers presented the 1984 Budget yesterday.

The demonstration, even though attended by several hundreds, was disappointing in view of the fact that it was organised by 27 trade unions.

The chant based on the popular calypso "Boots," was supplemented by other chants such as "Something in the budget...ah feeling it...."

The workers conducted themselves in a peaceful manner.

This was borne out by the following statement by the Trinidad and Tobago Police Service last night:

"The Acting Commissioner of Police Mr Lance Selman, in commenting on the activities by the labour unions outside Parliament this afternoon, expressed that he was very appreciative of the efforts of the organisers at maintaining order throughout the demonstration and thought that this augured well as a precedent for discipline and cooperation in activities of this kind in the future.

"He also expressed his appreciation of the manner in which police officers, at all levels, involved in the exercise, discharged their duties."

After the Budget presentation, labour leaders addressed the workers in Woodford Square and said that the struggle to protect workers from the effects of the downturn in the economy would be intensified.

Issue of Union Credibility

Port-of-Spain EXPRESS in English 16 Jan 84 p 3

[Text] A big problem with trade unions in Trinidad and Tobago is they do not have credibility with their own membership.

This was the unusual view presented at the recent labour conference at the Rienzi complex.

In fact, since the inception of the movement in Trinidad, the trade union leadership has not been able to win credibility among its membership.

Earl Lewis, a member of the Public Services Association (PSA) was making his contribution from the floor at the all-day conference.

Said Lewis: "From the inception of the labour movement in 1937 up until now, trade unions have not been able to bring that credibility that is needed from the leadership to its membership and their families.

"Union leaders who get into office by unpopularity vote just like the politicians, had better start cleaning up house."

Lewis told the 2,000-odd gathering of shop stewards, branch officers and leaders that it was important that credibility obtains.

And commenting on a statement by acting president of the PSA. Dr Kenrick Rennie, that the association was facing serious wage restraint as against 25 percent inflation over the next three years, Lewis advised that the PSA seek a 25 percent pay increase.

Said he: "Let them give us the 25 percent over three years, don't increase our taxes, and tell them to watch those prices.

"It is an argument they cannot go against and you will be seen in the eyes of the people to be extremely reasonable and to have made your contribution to national stability."

Lewis said he believed Trinidad and Tobago was still economically strong, "but going down," and that better management and the eradication of corruption was vital.

He also asked the gathering if he was expected to feel sorry for workers at the Telephone Company for instance, when it took him two hours to pay a bill, and when a mason charged him \$150 a day. He told trade union leaders it was partly their responsibility to deal with that kind of problem.

Praise for Protestors' Conduct

Port-of-Spain EXPRESS in English 13 Jan 84 p 8

[Editorial: "Giving Praise Where It Is Due"]

[Text] There are few countries in the world where 'demonstrators' or 'protestors' wind up being praised by the police for their exemplary behaviour, which is precisely what occurred in Port of Spain on Wednesday and it ought not to go unnoticed.

Perhaps it was the tone of belligerence, and the easy use of words like 'confrontation,' that made people, obviously including the police, wary of the outcome of the demonstration outside Parliament, called for on Wednesday by some 27 trade unions, to protest the Budgetary measures which the unions felt would come down hard on the backs of workers.

Certainly the police were not taking no chances. Acting Commissioner of Police Lance Selman went out of his way to meet with some of the trade union leaders in advance of the demonstration, and the fact that they met at all was a good sign. Added to which, Mr Selman issued a public statement, cautioning the public about the planned demonstration, asking parents not to bring their children home from school through the area around the Red House and of course organised his men to deal with any unsavoury behaviour.

The conduct of the police on the actual day of the demonstration was something to be praised as well. There were good-natured exchanges between policemen and workers; there was no sign of aggression or belligerence on the part of anyone, though one person was arrested for using obscene language. On the whole, the policemen on duty conducted themselves with dignity and restraint. So did the majority of workers who turned out.

Both deserve to be commended. Too often, in fact, when workers, or anyone else for that matter, organise demonstrations in this country--as is their democratic right--the scenario is created where the police, whose duty it is to make sure there are no breaches of the peace, are regarded as the 'enemy.' Even if, at the end, there is no unruly behaviour, tensions naturally abound.

This was not at all the case on Wednesday. It may be that because the turnout was much smaller than anticipated, the police found their job that much easier. But the trade union leaders who organised the demonstration and who were present also showed good sense. They were critical in their speeches of the Government, of course, but that, too is their right. That they could be critical without being unruly is surely something to be lauded. This is the best demonstration of democratic rights and responsibilities that we have witnessed in a long time.

We have ourselves been critical of the 'confrontation' stance that was adopted by the unions when they met last weekend, pointing out that our economic woes are not going to be resolved by the creation of scapegoats, but by a necessary combining of all our efforts to pull ourselves out of the doldrums. That

there has been retrenchment, and there will be more before we begin to see the light, has naturally angered the unions which are in business to ensure that workers keep their jobs.

But as we pointed out yesterday, Prime Minister and Minister of Finance George Chambers was on the right track when he suggested that it is job security that is going to be the real focus for trade unions in the months immediately ahead. The trade unions also have a joint platform with the Government and business via the National Economic Planning Commission which has endorsed the eight strategies recommended by the Demas Task Force report, among them, "measures to support the level of employment in the face of the slowing down of the economy." Much as differences may exist between government, business and labour, the fact that all three can sit down together and try to find some common ground is a positive response, quite different from the old and counterproductive tactic of 'confrontation.'

The trade unions themselves have their own problems, the biggest one being the lack of unity which, no matter how often it is held up as an ideal, continues to elude even the best intentioned trade unionists. It is this very disunity that has contributed to a great lack of unanimity on the part of the trade union movement whose leaders know better than anyone else that a house divided against itself cannot stand.

Be that as it may, we would like to join in crediting the unions that took part in Wednesday's demonstration with an admirable show of good sense, something that we hope will continue as we all try to grapple with the economic downturn which, we repeat, is a national and not a sectorial problem.

CSO: 3298/435-6

TOBAGO OBJECTS TO BUDGET PROVISION FOR AIR FARE INCREASE

Chamber of Commerce View

Port-of-Spain EXPRESS in ENGLISH 13 Jan 84 pp 1, 32

[Article by Omatie Lyder]

[Excerpt] The President of the Trinidad and Tobago Chamber of Commerce has described the hike in the air fare between Trinidad and Tobago from \$40 to \$75 as "harsh" but expressed the opinion that the 1984 Budget, which was delivered by Prime Minister George Chambers, was "fairly straight."

John Martin, President of the Chamber of Commerce and Deputy Chairman of Furness Ltd., told the EXPRESS yesterday he thought the increased air fare was "harsh" in view of the fact that there was a move to encourage tourism in Tobago.

"We consider Trinidad and Tobago as one country and a cheaper and more feasible form of transport has to be looked at," he said. Martin added that the question of whether so many air hostesses were needed on flights to Tobago should be raised.

"One has to look at the cost of running the airline. I flew to Martinique recently with another airline and there were no air hostesses," he said. He also expressed disappointment that the price was not raised as close as possible to the old price so as not to discourage travel to Tobago.

Martin also pointed out that although he expected the gas hike, it was "unfortunate" that nothing was done to improve the traffic situation in the country. He also noted that people burn more gas in traffic jams and said that "something could have been done."

Martin also expressed hope that farmers would not be affected by the increased land tax on their properties which he described as "unfortunate." However, he did not see any immediate rise in the price of land but predicted that the price of houses would go up.

"The people will now have to pay more for goods and services and the standard of living will drop but we must contain ourselves and do away with trivialities and think twice before we put our hands into our pockets," he said.

Attack on Fare Rise

Port-of-Spain EXPRESS in English 13 Jan 84 p 7

[Text] Is the government trying to discourage travel between Trinidad and Tobago or is it attempting to isolate and punish the people of the sister isle for political reasons?

This was the reaction of San Fernandians to the announcement by Prime Minister George Chambers in the 1984 budget speech that the air and sea fares for travel between the islands will be increased.

Air fares will rise from \$40 to \$75 while coastal steamers charges will be doubled to \$26 and \$40. One San Fernandian with relatives in Tobago described the action as, "the first salvo to start the campaign for recession and a further proof that the PNM will do its best to isolate those who oppose it."

Opposition Leader Basdeo Panday said the measure would further "handicap the people of Tobago." He claimed that the subtle aim of the increase was to put additional burdens on the people of Tobago pointing out that residents there still have to travel to Port of Spain for "simple things as birth certificates and land deeds."

Panday said that the increase in fares was "another indication that the Prime Minister was merely looking for ways and means of getting money and not addressing the task of solving problems."

Panday said there was little that the opposition could do to change the direction unless there was electoral and constitutional reforms were made. He said the matter would be raised during the budget debate next week "but there will be an exercise in futility since all the measures in the budget have already been implemented."

Southern Division Chamber of Industry and Commerce President Joseph Duverney questioned whether government's intention in raising the fares to Tobago was "to limit the amount of travel between the islands." He said that the increases would affect the people who mattered most--the poor and unemployed.

South Trinidad Chamber of Industry and Commerce president Deen Saidwan also attacked the increase in air and sea fares to Tobago. Saidwan said that the increases would have been justified only if their had been greater decentralization of government departments in that island.

Hudson-Phillips, Robinson Criticism

Port-of-Spain EXPRESS in English 14 Jan 84 p 1

[Text] The increase in the air and sea fares to Tobago was denounced by all three leaders of the major Opposition parties at a joint press conference yesterday.

Organisation for National Reconstruction Leader, Karl Hudson-Phillips termed these measures "a continuation of the vindictiveness and spitefulness against the Tobagonian."

He felt that the increase was an attempt to beat Tobago into submission.

ANR Robinson, Chairman of the Tobago House of Assembly, declared that this move was bound to fuel the feelings of resentment among Tobagonians. He labelled the Trinidad government's policy one of economic genocide, aimed at underdeveloping Tobago more and more, depressing it and depopulating it.

Impact on Tourism

Port-of-Spain EXPRESS in English 15 Jan 84 p 3

[Article by Compton Delph, Scarborough]

[Text]

TOBAGO HOTELS and guest houses have already begun to feel the pinch of the increased airbridge fares announced in last week's 1984 budget.

There has been a noticeable drop this weekend in the number of visitors from Trinidad. In fact, according to a BWIA source, the airline had to cancel one of its before-noon flights on Friday, since there were not enough passengers to make it economical. Many other flights ran less than full, something unusual for a Friday, when the weekend rush to Tobago usually starts.

"Trinidadians going to Tobago for the weekend have already begun to balk at the almost 100 per cent increase in the return fare," (from \$40 to \$75) said the airline source.

The drop-off in traffic continued yesterday, and one big hotel in the Crown Point area reported that it had received cancellations from a number of groups of six to eight persons each. Smaller guest houses also reported a drop in their weekend guest lists. One proprietor stressed that Tobago guest houses depend heavily on weekend visitors from Trinidad.

"If this trend continues, we will be in for big trouble," said the proprietor. "Some of us may very well have to close, for we cannot do without the Trinidad business."

Taxi-drivers who operate out of Crown Point airport also complained. One, who owns an American tourist taxi, said that business has been depressing in the past few days, "and the weekend looks gloomy. We have been hit too ways," said the

driver. "We are being called upon to pay more for gasoline, and we are at the same time getting less business through less visitors caused by this fantastic increase in the airfare."

Maxi-taxis, operating special cruises for visiting excursion groups from Trinidad, have also complained that the increased air-fare will drastically affect their business.

"Normally we receive these excursion visits even during the week, particularly by groups of schoolchildren," said a maxi-taxi operator. "But poor Trinidad parents will now find it hard to fork out double the airfare for their children to visit Tobago on excursions," he said.

A source connected with the island's tourist industry also lamented the "drastic" increase and predicted that it would definitely, in the immediate future, have an adverse effect on the industry.

"Hotels and guest houses," said the source, "are already starved for visitors, and the almost 100 per cent increase in airfare will certainly keep more people, particularly Trinidadians, out. People who visit us now two and three times a month, particularly on weekends, to get away from the Trinidad scene, are not going to come as often at \$75 a trip. They will probably cut down to once a month, and that means Tobago tourism will suffer even more."

This source said that while an increase had been expected, a \$10 rise in the \$40 return fare would have been acceptable. "But \$35 is killing, and if the Government's intention was to further isolate the island from Trinidad, it could not have gone about the job in a better way."

EXPRESS Comment

Port-of-Spain EXPRESS in English 16 Jan 84 p 8

[Editorial: "Tobago Won't Suffer alone"]

[Text] It is unfortunate that the immediate reaction to the new \$75 air fare to Tobago has been a drastic reduction in last weekend's usual crush of Trinidadians visiting the island. Indeed, as our Tobago correspondent reported in the SUNDAY EXPRESS, if the trend continues, Tobago will be ever more sorry in the immediate future.

We believe people will adjust to the new air fare in time. And we want to sound an early word of caution against seizing on this as a means of driving another wedge between the twin members of the constituent State of Trinidad and Tobago. Prominent Tobagonians have already gone on record as seeing the Budget measure as a deliberate attempt to punish Tobago for its political intransigence. And much more can be made of this, given the sour state of relations that has continually bedevilled relationships between the Tobago House of Assembly and Whitehall.

We find it difficult to believe, however, that in jacking up the air fare to Tobago, the Prime Minister and Minister of Finance was exercising a political vendetta. If that were the case, then the vast majority of low-income people whom the 1984 Budget will undoubtedly affect adversely in the months to come are also victims of political whim, a suggestion quite out of touch with the reality that economy has been and still is contracting and the cake has to be sliced rather frugally if we are to avoid even more pressure before this year is up.

Some may argue, as another of our correspondents did yesterday, that the 1984 Budget was too rough on those people who can least afford to pay their way. Certainly, the beginnings of the creation of a welfare State in Trinidad and Tobago, hardly a solid decade old, have been seriously set back by the chops in subsidies and imposition of a wide range of indirect taxes.

The opposition parties, for example, have been one in their view that the Minister of Finance has reacted with less than profound insight in his attempt to come to grips with an economy that has been seriously analysed to be in deep trouble by the recent Demas Task and World Bank reports. Over the next week, we can expect the opposition to make its views fully heard as the Budget debate gets underway in Parliament. Our wish is that the debate itself will provide not only a traditional platform for the expression of views, contrary and otherwise, but also will help the public at large to understand what is really at stake here.

Take BWIA, the parent company of the airline that caters for air travel between Trinidad and Tobago. Here is a company that has never once made a profit in all its years of operation and which has continued in business only because the very valuable service it does provide is critically important. Taxpayers have of course been paying the millions of dollars in subsidies it requires to keep the airline afloat.

Even now, the airline is retrenching staff in Antigua, has its eye on retrenchment within Trinidad and Tobago and is engaged in an overall cost-cutting exercise that may see senior management taking pay cuts--and yet not even these drastic steps are expected to pull BWIA out of the red. So, too, the case of the Tobago air bridge. Even at \$75 per ticket, the service is still being subsidised.

We cannot continue to have our cake and eat it as well. On the one hand, there is a crying need for genuine efficiency, which reduces costs, but subsidising State-owned corporations to the tune of millions of dollars can hardly be regarded as an efficient measure and, in any event, is only possible when the Treasury is bulging with cash, which it is not at the moment.

Of course, there is also the question of priorities. It seems much more important to the Government to continue pouring money into a big loser like ISCOTT, for example, than using the same money to shore up existing welfare benefits or holding the level of indirect taxation to a lower level. It is going to become increasingly difficult, as the Budget measures begin to bite, to convince people who are being seriously hurt that prestige projects should take precedence over their daily bread and butter.

There are, therefore, serious criticisms to be made of the manner in which the 1984 Budget has proposed doling out the strong medicine that the economy needs during this period of adjustment. What nobody can say is that the medicine is not necessary. We only need look around at the woeful state of our neighbours' economies to realise how quickly, and how disastrously, the slide can turn into a rout.

CSO: 3298/437

POSSIBLE GUN-SMUGGLING OPERATION UNCOVERED AT AIRPORT

Port-of-Spain EXPRESS in English 16 Jan 84 p 2

[Text] Interpol and United States law enforcement agencies like the FBI have been contacted by Trinidad and Tobago police who believe they may have stumbled on a major gun-smuggling operation when they arrested a man with six revolvers at Piarco International airport Saturday night.

Customs officers called in the police when they found the guns hidden inside a stereo speaker after the man, a Trinidadian who lives in Kentucky, flew in from Miami aboard an Eastern Airlines flight.

The weapons he brought in were three .38, two .25 and one .22 revolvers, parts of a shotgun and 275 rounds of ammunition.

Police sources also said the man had a number of passports in his possession of several Trinidad citizens now living in North America and acting on this, the police searched a number of houses in East Trinidad.

Commissioner of Police Randolph Burroughs went to the airport in the wee hours of Sunday morning to follow up the investigation, with the aid of Comptroller of Customs Ken Mohammed and Chief Preventative Officer Stanley Niles.

The man also reportedly had made several recent trips to Trinidad.

Police sources said it was suspected that the passports were being used to get American dollars.

Over the weekend, southern division detectives under Superintendent Taylor, also pitched in with the Flying Squad and other police branches to nab two men at Belmont, one of whom was wanted in connection with several major robberies.

Police said the man was later positively identified by several crime victims.

CSO: 3298/438

REVIEW OF IMBALANCE IN TRADE WITH CANADA

Port-of-Spain TRINIDAD GUARDIAN in English 13 Jan 84 p 12

[Article by Kit Roxburg]

[Text] Making one of the major understatements of last year, Trinidad and Tobago's Prime Minister George Chambers told his Canadian counterpart there was an uneven balance of trade between the two countries. Mr Trudeau agreed.

The discussion took place in Castries, Saint Lucia, at the Heads of Caribbean Governments and Canada. That was in February and by September last, Trinidad had imported over \$220 million (TT) worth of Canadian goods.

In return, Canada had imported some \$15 million. The position was worse in 1982, with Canada selling us over \$280 million and Trinidad exporting a total of \$18 million during the 12 months.

Intransit

And even our puny \$18 million is somewhat odd. There was \$.7 million exported to Canada under what was called "precious metals in the form of ore concentrates."

What exactly is that? Two officials at the High commission were as baffled as the writer over this. Since when did Trinidad and Tobago export precious ore? Where did we get it from?

A check with the Customs and Excise Department revealed one awkward possibility; the precious ore was probably in transit.

Trinidad was once shown as an exporter of water to somewhere, but like the ore, the water was from somewhere else, bound for some country that does not buy water from us.

Rum is a major commodity that we sell to Canada. They bought \$4.5 million in '82 and the figure rose to \$5.5 million last year.

The talks now being held between the two governments will have that imbalance as a focal point.

But Canada isn't easy when it comes to world trade, most likely because a large percentage of her production lines are owned and controlled by United States businessmen.

In fact it is a wonder that Canada bought \$1 million in wire rods from ISCOTT in 1983...even though Trinidad and Tobago imported \$40 million in telephone equipment alone from Mr Trudeau's country, about the second largest in the world.

In terms of exports per capita, Canada, with a population one-tenth of America's, is the world's second largest exporter.

In sheer volume of trade, the country runs seventh. Canada has geared her resources for trade with the US and England, her traditionally biggest buyers.

It was only this week that a trade team came to Trinidad from Canada. They spoke of joint ventures and cooperation.

Mr James Hill, Counsellor (Commercial), at the South Quay site of the Canadian High Commission, stressed that this is indeed the present thrust of Canada towards Trinidad and Tobago.

Canada has the technology and we need to export more. Take tissue paper, for instance. We imported about \$2 million worth of that last year.

Many Avenues

Getting together with Canadian businessmen and opening a tissue paper factory could mean not only eliminating imports of the finished product, but this country could become an exporter of paper.

"There are many avenues" said Mr Hill. "Trinidad and Tobago has the industrial infrastructure that such partnerships need."

He pointed to several areas where small businesses could be set up. Even secondary industries like automobile and electrical repairs and manufacture of components.

When one realises Trinidad and Tobago imports an astonishingly wide range of products, from meat to toilet fixtures, from pencils to millions of dollars in timber, no one can deny that the Canadians have the skills.

Politically, it wasn't really surprising that Canada and Trinidad and Tobago agreed to such an extent over the military intervention of Grenada.

Like this country, Canada did not have to fight for Independence and the nation, although sending troops to fight with the other Allies (like Trinidad and Tobago) in both World Wars, never had a history of prolonged and bloody internal wars.

Trinidad's nearest neighbour is Venezuela, one of the best armed countries of South America and one with a history of military rule, a country that has always been prepared for battle (except perhaps in 1797 when her Colonial master, Spain, couldn't cope with Sir Ralph Abercromby).

Ghetto Life

Thousands of Trinidadians have been turning to Canada instead of the United States.

Oddly enough, a great many return to the ghetto life, on the grounds that Canada is dull. No fun. Canada's foreign policy has also been said to be too dull. Maybe, for a country of that size.

But like Trinidad and Tobago, perhaps Canada finds peace on earth is much more than a Christmas cliché. It is the only way.

CSO: 3298/438

CANADIAN TRADE DELEGATION SEES PROSPECTS FOR EXPORTS

Report on Talks

Port-of-Spain EXPRESS in English 16 Jan 84 p 1

[Text] A Canadian trade delegation yesterday wound up a brief visit to this country relaxing at the Bucco Reef off Tobago.

The delegation members, most of them from the eastern province of Nova Scotia, had talks during their stay here with several government ministers and private businessmen.

They include experts in tourism, printing, fisheries, computer software, garments, steel and other fields.

Harry Thomas, chairman of the delegation, told a press conference before a dinner at the Holiday Inn organised by the Canadian High Commission on Friday night that the mission expected a successful outcome to the visit initiated mainly through the efforts of Trinidad-born entrepreneur Fred Lam.

He said Trinidad's teak and other products stood a good chance of being exported to Canada and helping to correct the massive trade imbalance between the two countries.

The balance of trade is heavily in Canada's favour.

Patrick Rooney, 30, of the Ontario-based Lawson and Jones printing company, said his firm was eager to participate in a joint venture enterprise in Trinidad and Tobago.

The delegation members, who visited Maracas Beach on Friday, had talks with several state-owned companies, including the Trinidad and Tobago Electricity Commission (T&TEC).

Tourism expert Len Knott of Ontario, told the press conference that he had explored with the Tourist Board the possibilities of joint ventures to attract tourists and other visitors to Trinidad and Tobago.

In a brief speech after the dinner, Lam, who is based in St. Kitts, said one of his aims was to make Trinidad and Tobago a bridge between South and North America.

Sandra Jensen of the Ontario-based Solima Steel Company had talks with ISCOTT officials. Details of the talks, however, were not revealed.

Export Possibilities

Port-of-Spain EXPRESS in English 16 Jan 84 p 7

[Article by Kathlyn Russell]

[Text] Trinidad teak may replace Bangkok teak in some of Canada's boatyards; codfish still dripping with brine may be sent here from Nova Scotia to be dried in the tropical sun; Canadian tourist managers may divert conventions here, especially in January and February.

These were some of the possible joint ventures a team of Canadian businessmen, brought here through arrangements of Freddie Lam, discussed with the press at the Holiday Inn last Friday night at the end of their brief visit.

The export of green teak from our young plantings and the import of partially processed saltfish, creating some local jobs through National Fisheries, may take place in the not-too-distant future, but the promotion of conventions and other Canadian tourist business here will have to wait on the upgrading of our airport facilities and construction of a small hotel at the airport, as well as improved roads and transportation, the visitors said.

They also admitted that managerial skills and marketing techniques in Trinidad and Tobago were decades behind those in Canada, where the managers who visited operate companies that make a profit, unlike the taxpayer-subsidised, uneconomical new industries they visited, and greatly admired, here, like ISCOTT and Trinidad and Tobago Printing and Packaging.

Among the visitors who discussed their impressions with reporters while several score of the movers and shakers of Trinidad and Tobago were sharing a buffet dinner poolside at the Holiday Inn, were Harry Thomas, coordinator and principal spokesman of the Canadian group and representative of a computer software firm. He said he explored providing programmes on customer records and billing to local utility companies such as T&TEC.

Murray Stevens of a boat and furniture making company said Canada imports large quantities of teak, and would like to get it from Trinidad to cut down on the expense of transportation from far-off Bangkok. Patrick Rooney of Lawson and Jones, a large printing and packaging company in Canada and the U.S., said the local industry needed to stress marketing and packaging to "sell" the customer, among other ways of promoting profitability.

The Canadian group, Trinidadian entrepreneur Robert York and Lam, a Trinidadian who operates a hotel in St. Kitts and is often in Canada, plan to organize a company called Trincan Americas to establish business links, particularly joint ventures, between Canada and Trinidad and Tobago.

The visit of the Canadian group was financed by Canadian government funds through the Canadian Association for Latin America and the Caribbean, Thomas said.

EXPRESS PRAISES DECISION BY GAIRY NOT TO RUN IN GRENADA

Kingston THE DAILY GLEANER in English 12 Jan 84 p 5

[Text] Port-of-Spain, January 11, (CANA): The Trinidad and Tobago EXPRESS today welcomed former Grenada Prime Minister Sir Eric Gairy's decision not to contest the island's forthcoming elections and said it hoped he will stick to the promise.

"That Gairy should now openly declare that he will not be contesting elections, whenever they are held in Grenada must...come as a relief. Let us hope he sticks to his word," the paper said in an editorial.

The EXPRESS said should Gairy have gone ahead and offered himself for office, it would be "unhealthy if not disastrous" for Grenada.

His decision to stay out was therefore "an unselfish one," that places Grenada's interests above his own, the daily said.

Gairy was ousted by Maurice Bishop, the leftist leader whose overthrow and assassination by the Army triggered last October's U.S.-led invasion of the island.

The paper apparently felt that Gairy should remain in the United States, where he has been living in exile since his 1979 ouster, and keep away from the Grenada political scene.

The EXPRESS said the ex-Grenada leader was "a major contributor" to the island's problems. It added that Gairy's presence in the campaign of his Grenada United Labour Party (GULP) could be "a womsome factor."

"His past history has been so unruly (that) one wonders whether his very presence in Grenada during an election campaign, far less his appearance on public platforms, will not in fact generate emotions of the worst kind," said the editorial.

Regional governments, human rights groups and private individuals have accused Gairy of human rights abuses during his rule.

This year's elections for which no date has yet been set, will return Grenada to constitutional rule after close to five years of an ill-fated leftist revolution.

INTERIM SUGAR PAYMENT ROUSES FARMERS, COULD AFFECT CROP

Government Delay

Kingston THE DAILY GLEANER in English 7 Jan 84 p 5

[Text] Port-of-Spain, Trinidad, Jan. 6, CANA: Trinidad and Tobago's 5,000-odd private cane farmers are asking for an interim payment of (TT) 60 dollars per ton (1 TT dollar; 41 cents U.S.) of sugar produced from canes reaped as this twin island republic's 1984 crop season opens.

Wahid Mohamed, general manager of the Trinidad Islandwide Cane Farmers Association (TICFA), which says it speaks for most of the private cane farmers here told CANA the Ministry of Agriculture had not yet declared what interim price it would pay.

The state-owned Caroni Limited is the sole producer of sugar here.

Mohamed said the farmers would supply about 280,000 tonnes of cane this year or about 30 percent of the 950,000 tonnes Caroni Limited expected to grind for the 1984 crop, which opened Tuesday.

The TICFA general manager explained that the interim payment is made to farmers to help offset the cost of reaping canes.

A final payment is made at the end of the crop, after farmers tabulate their total production costs and profit margins.

Last year farmers received a price of 105 dollars (TT) per tonne of sugar for their canes, Mohamed stated.

Their cane production was in fact heavily subsidised, as government received in the region of 45 dollars (TT) a tonne for Trinidad sugar on the world market.

(The 105 dollar payment includes the interim payments of 60 dollars, the same interim payment being asked for this year.)

Mohamed said that his association was not supporting a suggestion by another group of farmers that they not harvest their canes since government had not yet made the interim payment.

"We have to be realistic," said Mohamed, pointing out that cane farmers were already being "heavily subsidised."

The "TRINIDAD EXPRESS" today reported Boodram Jattan of the National Farmers and Workers Trade Union (NFWTU) as saying cane farmers had taken no firm decision on whether they would harvest their crops this year in the light of government's failure to declare the first interim price.

Jattan--who could not be contacted for comment--was reported as saying it was "inhumane" for farmers to see their canes to Caroni Limited without having prices declared.

TICFA general manager Mohamed however, declared: "Farmers are cutting their canes."

It could not be ascertained what percentage of the farmers Jattan's group represents. Officials of the ministry of agriculture could not be contacted for comment on how soon the interim price would be announced.

First Payment of \$60

Port-of-Spain TRINIDAD GUARDIAN in English 10 Jan 84 p 6

[Text] Trinidad Islandwide Cane Farmers Association (TICFA) has agreed with the \$60 per ton first interim payment for canes supplied by farmers in the 1984 crop.

According to a spokesman, TICFA believes that the first interim price as announced by Government last week is "good for the time being."

However, TICFA is hoping for a "substantial final payment. We believe that the \$60 is good taking into consideration the present economic situation of the sugar industry," the spokesman said.

He said the first interim only assisted the farmers industry operating costs and in fact "they really do not get anything for themselves." The farmers always depend on the final payment.

Officials of the Islandwide Cane Farmers Trade Union (ICFTU) could not be contacted for comment. The ICFTU proposed at least \$75 as on first interim.

Meanwhile, farmers are continuing to reap their canes, though at a slow pace. Up to yesterday, it was not known whether the farmers who are members of ICFTU were in agreement with the \$60 interim.

This will be known when the membership reports to the union later this week.

CSO: 3298/439

BRIEFS

PNM ELECTION ASSESSMENT--A Government minister has urged political supporters in his constituency to reflect carefully on the results of last year's Local Government elections and consider whether they were ready and able as a group to face the decade of the 1980s. Minister of Community Development and Local Government, Dr Cuthbert Joseph, in an extended discussion and analysis of the results of the elections at the 23rd Annual Conference of the Port of Spain East Constituency yesterday asked his supporters to ask themselves: "What reasons would you give for the success of the opposing parties in mobilising the little support they had in comparison with the apparent failure of our Party to bring out the large body of voters who have traditionally supported the People's National Movement?" The Minister revealed that in the Port of Spain City Council, the PNM in 1983 got about 1/3 of the number of votes they had won in the 1981 polls. In his speech he went on to warn his constituents that new jobs could not be expected from the Development and Environmental Works Division of the Ministry of Works, due to 'budgetary constraints.' He called on the Ministry of Housing and Resettlement to give priority to the construction of flats in the constituency to relieve the acute housing shortage. "Many residents in the constituency have been allocated new housing units by the National Housing Authority in such locations as La Horquetta, Bon Air Gardens, Malabar and Morvant," he said. "Housing, however, continues to pose serious problems especially for senior citizens and for families with a large number of children who find it difficult to resettle in areas outside of Port of Spain or who cannot afford to purchase housing units under the rental mortgage plan." [Text] [Port-of-Spain EXPRESS in English 16 Jan 84 p 40]

PNM CONSTITUENCY MEETING--A PNM Constituency group has called on government to mount a nationwide discipline campaign and initiate a system of national service. The Port-of-Spain East Constituency of the ruling People's National Movement, at its 23rd Annual conference yesterday passed a resolution urging that immediate and long-term measures be developed to "inculcate a greater sense of self-discipline throughout the nation." Among the measures suggested were action to tighten the discipline exercised by the Service Commissions and the more stringent implementation of existing laws governing the use of public amenities by citizens. The constituency group also carried another resolution calling for the early setting up of a Party Organ and one for the upgrading of the Ministry of Information. It urged that this ministry be "provided with the necessary capability including staff and equipment...to ensure the proper dissemination of information in the promotion of a viable democracy." [Text] [Port-of-Spain EXPRESS in English 16 Jan 84 p 40]

WATER, SEWERAGE DEFICIT--The Water and Sewerage Authority (WASA) is expected to operate with a deficit of \$296,591,228 this year for which Government will provide a loan. That is part of an overall \$645,839,665 loan Government is planning for the Statutory Boards to cover deficits. The revenue expected from four statutory boards for which loans and grants would be made, is estimated at \$194,727,776 while the expenditure is put at \$840,567,551. WASA expenditure is estimated at \$324,283,725 and revenue \$27,692,497. Estimated expenditure for the Public Transport Service Corporation is \$213,542,156 and revenue \$31,075,000. Government plans making up the deficit of \$182,467,156. The Expenditure for the Port Authority is put at \$297,113,676 and revenue \$132,470,287, leaving Government to make up the deficit with a loan of \$164,643,389. The Chaguaramas Development Authority is to spend \$5,627,884 while revenue is expected to be \$3,489,992 with Government covering the deficit of \$2,137,892. Government subventions for the 31 other statutory boards and similar bodies including the local government bodies, amount to \$601,289,135. Expenditure for those boards is estimated at \$722,921,666 and revenue \$141,692,513. Government subventions to County Councils for the year will be \$293.2 million; for the Port of Spain City Council \$78.9 million; San Fernando Borough Council \$35.6 million; Arima Borough Council \$19.3 million and Point Fortin Borough Council \$12 million. [Text] [Port-of-Spain TRINIDAD GUARDIAN in English 16 Jan 84 p 1]

CSO: 3298/439

CENTRAL BANK RELEASES YEAR-END REPORT

Caracas EL UNIVERSAL in Spanish 28 Dec 83 p 1-13

[Text] Sirs, this is the third consecutive occasion that it has been my privilege to report to the Venezuelan public on my impressions of the performance of the national economy in the year that is drawing to a close, based on the analyses and statistics compiled by the Studies Department of the Central Bank of Venezuela (BCV). This year was marked by the most ominous and disturbing internal and external circumstances in recent memory. This annual statement, now a tradition in the history of the Central Bank, has in recent times become a kind of preview of the trends and structures to be set forth in the Annual Report, which is now submitted in mid-April. As in years past, the figures mentioned here are estimates, and as such are just an approximation of the real figures; but they are very telling in terms of revealing trends.

This year has been particularly agitated and laborious for the BCV because of the myriad economic events that took place and the increasing importance of the role this institution plays in national economic life. By legal mandate the Central Bank has been assigned the task of cutting through the complicated web of traditional encumbrances, a tangle of administrative deficiencies, vested economic interests and even political interests. Sometimes this task has obliged the bank against its will to take an active role in guiding the national economy and defending the economic interests of the community, with the resulting criticism, misunderstanding and confusion always entailed by that kind of action. People often forget that the Central Bank represents the monetary power of the State, unlike the Executive Branch, with which it can express healthy disagreement at times, and from which it must always maintain the greatest possible degree of independence. The Venezuelan people, and above all public officials, should bear in mind that the Board of Directors of the Central Bank is made up of representatives of the Executive, of the private sectors, and of a public sector official, its president. They should also be aware, however, that the Board of Directors as such, and the Central Bank as an institution, are not part of any of these sectors, nor do they belong to the decentralized administration; and that its autonomous actions and opinions cannot be a source of disturbance in the development of the economy, as has unfairly and maliciously been alleged on repeated occasions, but rather a guarantee and defense of the economic interests of the community, and especially of the social classes that are not blessed with the ideal means to communicate their viewpoints.

As the chief of state has said repeatedly, the critical opinion of the Central Bank is much healthier and more beneficial for the guidance of the public economy than a submissive and complacent attitude toward possible errors by the Executive.

Today, at the request of the chief of state himself, and in view of the difficult circumstances of the Venezuelan economy, I will try to be as clear, precise and truthful as possible in the assessments that I will present here.

Introduction

The prolonged recession in the world economy, translated into a considerable decline in demand and in the prices of petroleum and its byproducts, along with the programs for energy austerity and technological change, has placed critical pressure on the structural vulnerabilities of the Venezuelan economy, manifested primarily in the traditional overvaluation of the bolivar and excessive dependence on oil revenues. As long as the dynamics of the world economy netted Venezuela more income in foreign currency than its national economy could absorb in a normal and healthy manner, we were able to maintain an overvalued currency, unwittingly and unwisely, so that we could afford an enormous volume of imported goods and services. On this two-way bridge, our capital resources flowed imperceptibly out of the country, just as easily as they had flowed in. The consequences of the world depression had to hit home, and the sources of foreign credit had to dry up before the vulnerability and external dependence of our economy could become as obvious as they are now.

In the future, the year 1983 will probably be remembered as the time when the Venezuelan economy woke up, when the necessary changes and reorientation took place and the exaggerated dependence on foreign supplies of goods and services was finally abandoned. Indeed, the aforementioned external causes of the crisis (overvaluation of the bolivar, drop in oil income and dried up sources of foreign credit) force the nation's financial and monetary authorities, in the last week of February, to take a series of measures to arrest the decline of our international reserves and correct the drastic external imbalance of the Venezuelan economy. Under these circumstances, and as a temporary expedient, the prevailing opinion was that the new exchange system must essentially guarantee a sufficient level of foreign reserves to ensure continued payments to foreign creditors, on the one hand, and on the other hand, hold down excessive inflationary pressures. The comprehensive correction of structural imbalances would be left to a later date, for a gradual and progressive cure.

These short-term objectives were achieved in 1983, inasmuch as the balance of payments will close with a slight surplus of \$240 million, the level of foreign reserves as of 31 December will be \$11.864 billion, and the overall level of prices by that same date will be no more than 7 percent above that of 1982. These goals were not achieved without a cost, however; the imbalances of the money and goods markets were aggravated.

Macroeconomic Variables

In terms of the real economy, the negative impact of the world situation on the external sector of the Venezuelan economy and the differential exchange system adopted to cushion that impact, meant a drop in the real gross domestic product of between 2 and 3 percent for 1983 as a whole. That decline in the GDP resulted from the contraction in the formation of fixed capital as a consequence of restrictions on goods and services imports, the lower propensity to invest, the unfavorable performance of the sectors that produce goods not marketable abroad (above all the construction industry), the necessary cutback in transportation and commerce activities, and the declines noted in the manufacturing and agriculture sectors, as a whole.

From the standpoint of overall domestic spending, this meant that real private demand, in the area of consumption as well as investment, shrank considerably. The fall in private consumption can be explained by the drop in real income in the economy, and by the decline in imports, which forced the higher-income classes to save their money, and that in turn led to the surpluses that distorted the money market. The reduction in private investment was influenced by the poor outlook for economic recovery, the cutoff of international funds, and the consequent reduction in capital goods imports. The fall in overall domestic demand, on the other hand, was less than the decline in overall domestic supply, due primarily to the intensive utilization of inventories accumulated before the exchange control measures. Moreover, this prevented the generalized shortage of goods and the rash increase in prices that had been feared.

Finally, it should be noted that the aforementioned contraction of overall domestic demand generated a kind of compulsive and forced financial savings, which more than made up for the significant overall deficit of the public sector. Furthermore, this made it possible to build up a surplus in the current account of the balance of payments and to finance the considerable shortfall in the capital account of that balance.

Table 1
Gross Domestic Product (a)
(Billions of Bolivars)

Activities	Nominal			Real			Deflator		
	1982	1983	%	1982	1983	%	1982	1983	%
External (*)	69.769	59.691	-14.4	6.705	6.293	-6.1	1.0406	.9485	-8.9
Import Duties	6.878	4.811	-30.1	2.346	1.469	-37.4	.2932	.3275	11.7
Internal	221.633	226.534	2.2	68.019	65.847	-3.2(b)	.3258	.3440	5.6
Total	298.280	291.036	-2.4	77.070	73.609	-4.5	.3870	.3954	2.2

(a) The 1983 estimate was obtained using a model by economic sectors.

(b) The variation in this same amount was estimated at -2.2 according to another model used by the Institute (BCM0D).

(*) Includes crude oil, refining of oil and mining.

Source: BCV

External Sector and Exchange Policy

Despite the relative stagnation of world demand for oil (-1.6 percent), the oil-consuming industrialized countries continued to exert pressure by drawing down their stocks and diversifying their sources of supply, in order to obtain new transitory advantages in prices. As a consequence, OPEC was obliged to cut the prices of light and medium crudes by 10 percent this past year. Heavy crudes and residual fuels were relatively less affected because of the deterioration that has been noted since early 1982 and the upward adjustments that were made in 1983. Although Venezuela primarily produces the latter type of crude, its revenues were severely curtailed and its general economic balance seriously compromised. The average production of crude oil dropped to 1.756 million barrels per day (-6.2 percent); the average exports figure dropped to 1.49 million barrels; and the average price dropped to \$25.11 per barrel. The consequence: The value of our exports declined by 12.6 percent, to 58.619 billion bolivars.

This new drop in oil prices, added to the obviously underestimated drop that occurred in earlier 1982, plus the precipitous and peremptory maturation of the foreign public debt, all exacerbated the outflow of short-term private capital and the plummeting of international reserves. Despite the centralization of \$3.5 billion in Venezuelan Petroleum financial assets in September 1982, to defend the stability of the bolivar, this was not enough to meet the increasing demand for foreign exchange.

As of 18 February, the exchange market was closed until 28 February. During that period, the National Executive opted to reject the Central Bank's proposal for a linear devaluation of the bolivar to 6.50 bolivars to the dollar, to impose exchange controls on most current transactions, and to set up a free market for capital transactions and some current transactions, where the dollar would fluctuate with the market forces under the strict surveillance of the BCV. Instead, the Executive's proposal of a system of temporary differential exchange rates as a preliminary step toward unified exchange rates was adopted. While ensuring an adequate level of reserves, enough to meet foreign payments, this plan would minimize the impact on prices that any major currency devaluation entails.

As I indicated earlier, these objectives were achieved: As of the close of 1983, international reserves will be at \$11.864 billion, \$240 million more than at the end of 1982, and the increase in prices for the year will be only 7 percent. The important point in analyzing this period is to see how these objectives were achieved and what they mean for the future.

The recovery of our foreign reserves is the result of two basic factors: in the first place, the drastic reduction in imports channeled through the controlled market (above all, capital goods), which amounted to 61 percent of the figure for these imports in 1982. If the predicted shortage of consumer and intermediate goods did not take place after the reduction of imports, it was because of the accelerated drawing down of inventories that had been building up before as a result of expectations of a devaluation. Those inventories had climbed to levels higher than normal demand would require. In the second place, the recovery of foreign reserves is the immediate consequence of the

payment moratoria agreed to between the National Executive and the Committee of Creditor Banks, which postponed the 1983 payments on the principal of the short-term public debt.

The impact this had on the balance of payments accounts was that the current account balance is estimated to yield a surplus of \$5.017 billion for 1983, in contrast to the \$4.777 billion deficit in the capital account. The algebraic sum of these two accounts yields a positive total for the balance of payments of approximately \$240 million, equivalent to an increase in the level of foreign reserves compared to that of the end of 1982.

The second priority goal indicated above, achieved through the system of differential exchange rates (in other words, by cushioning the impact on prices), was made possible by maintaining a preferential exchange rate of 4.30 bolivars to the dollar for the private sector debt and most goods and services imports, which had two concomitant effects: on the one hand, this is a clear and significant subsidy for importers (when compared to the possible balanced exchange rate), and on the other hand, it represents a serious disincentive to potential efforts to produce many of these goods nationally, since it tends to keep the bolivar at an increasingly overvalued level. Furthermore, the other preferential rate, 6.00 bolivars to the dollar, while closer to a possible balanced exchange rate, also involves a significant and growing overvaluation. These exchange subsidies, added to the aforementioned drawing down of inventories, have been major factors in the moderate rise in prices.

Moreover, in order to temper the obvious undervaluation of the bolivar on the free or parallel market, the Central Bank has been obliged to intervene there, first through the Stock Exchange, at the exchange rate that was then current, and later through the commercial banking apparatus at the rate of 9.90 bolivars to the dollar. Although that rate does not correspond to the current rate on that market, it at least mitigates the upward pressures on that market.

Now, the overvaluation of the bolivar at 4.30 to the dollar for most external transactions, as well as the drastic administrative reduction of imports and the postponement of the principal payments on the foreign debt, have helped to maintain a high degree of instability on the exchange markets, and to forecast a greater potential for devaluation than was envisioned in the plan for a linear devaluation with exchange controls, which was proposed at the time the exchange market was closed.

In sum, it could be asserted that the changes that have occurred in the imbalances of the balance of payments accounts did not come about as a result of an organic adjustment in the dynamic relations of the national economy, but rather as a result of the application of administrative measures in the areas of exchange and prices, and coincidence with the moratoria agreed to with foreign creditors.

That is why it must be stressed that the imbalances that have characterized our external sector and thus the rest of the national economy, are the consequence not of temporary phenomena but rather of profound structural defects that must be corrected if we are to achieve a much more efficient allocation of our resources, if we want to launch a more diversified and therefore more

independent economic growth. Hence, at this time adjustments should be made in the external sector to contribute to a rapid and drastic reordering of international transactions, and at the same time to promote the creation of a broad export sector or a new import substitution policy rooted in a solid foundation of rationalization and comparative advantage in the country.

Table 2
Indicators of External Sector
(Billions of US\$)

	1982	1983
Current Account Balance	-4.246	5.017
Exports	16.516	14.655
Imports	-13.584	-5.265
Goods Balance	2.932	9.390
Services and Unilateral Transfers Balance	-7.178	-4.373
Non-Monetary Capital Account Balance	3.911	-4.777
Monetary Movement (a)	-0.215	-0.240
BCV	-1.420	-1.250
FIV	0.931	0.995
Commercial Banking	0.274	0.015
Foreign Reserves Possessed by BCV (12/31)	10.039	11.289
BCV Income in Foreign Exchange		16.895
Market of 4.30 Bolivars to US\$		16.531
Market of 6.00 Bolivars to US\$		0.364
BCV Outlays in Foreign Exchange		15.645
Market of 4.30 Bolivars to US\$		12.977
Market of 6.00 Bolivars to US\$		0.935
Free Market		1.733
Balance		1.250

(a) The minus sign (-) means an increase and the plus sign (+) means a decline in the corresponding level of international reserves.

Source: BCV

Public Sector and Fiscal Policy

The beginning of fiscal year 1983 was characterized by the extension of the 1982 budget during the first quarter--the first time this has ever happened in Venezuela--and by a reduction in the agreed upon budget below the figure for the previous year, due to the fiscal effects of lower oil revenues. Now, even though circumstances dictated the need to practice restraint in public spending, the temporary coincidence of the contraction of the external sector with a system of differential exchange rates provided an opportunity to compensate for the predicted decline in oil revenues with the profits on the exchange transactions carried out by the BCV when it sold its foreign exchange, especially on the bank exchange market and through the now almost habitual method of selling Treasury Bills. Thus, at the end of the period in question, the magnitude and nature of the adjustment in spending at the level of the central government, was not in harmony with the degree of restriction imposed by the

imbalance in the external sector. Certainly there was an attempt to compensate in this way the effects of this restriction on economic activity and employment levels.

In the rest of the public sector, that is, in the decentralized economy, the effort to restrict and adjust spending was even less evident, since not only was there no attempt to seriously rationalize current spending, but in many non-financial entities, the eroded absorptive capacity of the national market and the difficulties of the international market were ignored, and high levels of investment were maintained. All this contributed significantly to the increase in the public sector deficit.

Of special importance is the performance of Venezuelan Petroleum, Inc. (PDVSA) in this regard, given its impact on the government's transferable revenues, and it is not insignificant that while its investment expenditures fell by 8.45 billion bolivars between 1982 and 1983, its current expenditures rose to 3.19 billion bolivars.

It should also be noted that within the general picture of the Venezuelan economy, the authorization of some state enterprises to sell on the free market the foreign exchange earned from their sales abroad was patently inconsistent when circumstances demanded that they correct their financial imbalances by restricting spending rather than through exchange subsidies.

All of the above considerations lead one to believe that no matter what the reasons for them, the adjustments made in the national economy did not cover the area of a fiscal policy of stabilization aimed at cushioning the adverse impact of deficit spending by the public sector on the external sector. This is how the fall in tax revenues from the oil sector, estimated at 8.36 billion bolivars, was more than compensated by profits on exchange transactions, estimated at 8.833 billion bolivars. That figure was greater than the amount estimated in the Budget Law of 1983.

If, on the other hand, the tax revenues generated by the rest of the economy (the sectors other than petroleum) are compared with those initially called for in the budget, the inevitable conclusion is that there was an underestimation of the impact of the drop in oil revenues in 1982 on the non-petroleum economy. That is why of the 21.957 billion bolivars in tax revenues that the budget assumed these sectors would generate, only about 9.7 billion bolivars was collected.

What we have said so far in terms of fiscal policy leads to the conclusion that the management of the public sector of the economy in 1983 yielded a fiscal deficit of considerable proportions, inasmuch as the funds that the Treasury can mobilize will not be sufficient to finance the bailout of 6.962 billion bolivars in Treasury Bills and the remaining credits from the 1983 budget. This is simply the culmination of the critical situation the National Treasury has undergone throughout 1983. And at that, the principal payments on the foreign public debt were postponed under the agreement reached in the renegotiation of the debt.

To conclude this part, I feel it is indispensable, for future purposes, to call attention to the fact that the best efforts at exchange stabilization will be thwarted if they are not accompanied by a compatible, eminently austere and prudently restrictive fiscal policy. It is an incontrovertible historical fact that the best exchange policy will be destabilized in the short term if it is opposed by the dynamics of fiscal or monetary policy.

Table 3
Fiscal Policy Indicators
(Billions of Bolivars)

	1982	1983
Regular Revenues	78.247	70.471
Petroleum	49.223	40.750
Exchange Profits	--	8.833
Others	29.024	20.888
Regular Outlays	82.404	73.586
Regular Balance	-4.157	-3.115
Special Revenues	3.854	9.407
Special Outlays	7.064	11.242
Special Balance	-3.210	-1.835
Total Balance	-7.367	-4.950 (a)
Treasury Reserves (12/31)	7.897	8.3764 (b)
Mobilizable	3.0317	0.9431
Immobilized	4.8653	7.4333
Remaining Credits	6.275	7.818

(a) Includes bailout of Treasury Bills for 6.962 billion bolivars in 1982.

(b) Situation as of 12/23, without considering total negative balance recorded in 1983 (4.95 billion bolivars).

Source: BCV

Financial Sector and Monetary Policy

In early 1983, the overwhelming need to preserve an adequate level of international reserves obliged the Central Bank to modify the expansive monetary policy that had been begun the last quarter of 1982, when the desire to stimulate the reactivation of the real economy through credit to the banking system merely translated into increased financing of the demand for foreign currencies and greater pressure on the country's foreign reserves.

The monetary surpluses in the possession of the public in January led the Central Bank to reduce the discounts and advances it provided to the financial system, whose debt was cut from a balance of 5.4 billion bolivars in early January to 3.7 billion at the end of the first quarter of the year. But the effort was futile. The prospects for lower oil revenues, the cutoff of the international market for external loans, and the payment and maturation of short-term foreign debt obligations, made even more obvious the traditional overvaluation of the bolivar, as we stated at the beginning of this commentary, and precipitated an accelerated flight of capital as a result of fears that the monetary parity would be altered.

On 18 February it was necessary to open a parenthesis in the system of fixed parity for the bolivar and of unrestricted exchange freedom, which had reigned in Venezuela since the foundation of the Central Bank, with minor modifications during the war and in the early sixties. Although among political and monetary authorities the preference until the last minute was to defer any capital adjustment measure that entailed a variation in the current exchange parity, the beating that the BCV foreign reserves were taking made it impossible to maintain the free convertibility of the bolivar any longer. The result was the signing of a new exchange pact between the National Executive and the Central Bank, the adoption of the aforementioned exchange system, and the creation of an office in charge of its administration (RECADI), placed by decree under the jurisdiction of the Finance Ministry.

Now, despite the monetary policy adopted in January, the Central Bank on several occasions and for different reasons has been obliged by circumstances to modify that policy, to the detriment of the general equilibrium desired. In the first place, 3.5 billion bolivars in Treasury Bills were sold to commercial banks, through their legal reserves. The banks financed part of the monetary expansion of fiscal origin, and this was a way of monetizing the fiscal deficit. This procedure was repeated in April, when the Central Bank itself acquired 3,462 billion bolivars in Treasury Bills, with similar consequences for the economy. In the second place, in the middle of February, the monetary institution implemented a special mechanism to provide assistance to savings and loan institutions, through commercial banks, whose financial sum reached the present amount of 353 million bolivars. In the third place, in early May the Central Bank Board of Directors, in an attempt to reactivate the agriculture and construction sectors and in the belief that exchange controls would enable it to isolate the monetary forces from its external impact, decided to gradually open discount and advance transactions with commercial banks and reduce the discount rate from 13 to 11 percent for normal transactions, and to 9 percent as a preferential rate for agriculture loans with a maximum interest rate of 12 percent. It was also decided in May to maintain a policy of credit assistance for financial institutions that were experiencing difficulties.

A few weeks after these monetary policy changes were adopted, the extemporaneous nature of the measures became apparent, since the exchange control mechanism and the deficitary fiscal policy had unleashed, as was to be expected, a series of imbalances in the money market. This imbalance was characterized by sustained growth in the surplus reserves of commercial banks, from 1.287 billion bolivars on 18 February to 4.4 billion bolivars by the end of April, and 9.4 billion bolivars at the end of August, when they began to drop to 8 billion bolivars by the end of November.

In sum, it can be said that the slow operation of exchange controls, along with a deficitary fiscal policy, led to a severe imbalance in the money market due to excess bank reserves, which prevented the BCV's new policy of discounting and advances from achieving the desired effects.

It should be asked, then, why have interest rates stayed relatively high, with this glut of funds in the banks? The reasons are varied. First of all, the primary reason is competition for funds among the various subsystems of the

financial market (commercial banks, financial companies, mortgage banks, etc.). In the second place, there is no doubt that the weakening of economic activity has led to financial difficulties in businesses that owe debts to banks, which has probably translated into the incorporation of a surcharge on interest rates due to the increased risk of default. Thirdly, we cannot discount the possibility of commercial banks undertaking speculative transactions on the exchange market, given the higher profit margin of foreign currency sales transactions on the free market, at no greater risk, compared to the legitimate transactions normally carried out in financial institutions. This diverts resources from the money market.

Table 4
Indicators of Money Market
(Billions of Bolivars)

	December 1982	February 1983	November (*) 1983
Monetary Liquidity (M2)	129.136	126.317	153.204
Money Supply (M1)	49.013	46.089	59.338
Monetary Base	28.372	27.611	36.828
Commercial Banks			
Discount and Advance Debt Balance (a)	3.072	1.827	0.525
Surplus Reserves (a)	2.336	2.042	8.054
Investments	80.763	80.087	81.823
Investments in Securities	7.456	6.086	8.061
Deposits	89.900	87.204	106.949
Active Interest Rates (b)	0.01727	0.01730	0.01592 (c)
Interest Rates on Fixed-Term Deposits (b)	0.01507	0.01572	0.01300

- (*) Preliminary figures
- (a) Excluding the BND
- (b) In percentages
- (c) As of October

Source: BCV

Prices

In 1983, although under circumstances very different from the previous year, prices climbed much more slowly, with a rise in the Consumer Price Index of approximately 7 percent during that period.

During the initial months of the year, the National Executive continued its policy of eliminating subsidies to the concentrated foods sector, which led to fears of inflationary surges in those areas. Later, when the current exchange system came into effect, the prices of all goods and services were decreed frozen. The freeze was maintained throughout March and April, but in view of the increases in prices that took place during that period, this was not an effective curb. For the rest of the year, the factors that had the greatest impact on the general level of prices were the recessive contraction of overall demand, the utilization of inventories that had been built up during the previous period, and the implementation of the Administered Price System.

As for the last factor mentioned, it should be noted that its effectiveness could be deceptive, because aside from its disturbingly close link to the current differential exchange system, the economic recession tends to depress prices, which to a large extent counteracts the increase caused by rising costs or lower profits. It must be agreed, however, that given the circumstances of the Venezuelan economy in 1983, the moderate overall increase in prices was surprisingly better than the most optimistic forecasts. It should also be stressed that with respect to the future stabilization of the Venezuelan economy, that variable is one of the most solid bases on which to build, since in a way it reflects the non-inflationary mentality of the Venezuelan economic psychology.

Table 5
Price Indicators
Consumer Price Index
for Greater Metropolitan Caracas
(Base: 1968 = 100)

Years	General Index	Foods, Beverages and Tobacco	Clothing and Shoes	Household Expenses	Miscel. Expenses
1982	298.9	424.8	474.6	205.9	284.9
1983	319.8	461.8	476.5	214.1	311.7
% Change 83/82	7.0	8.7	0.4	4.0	9.4
% Change 82/81	9.6	9.7	-2.7	5.0	15.8

Wholesale Price Index
(Base: 1968 = 100)

Years	General Index	National Goods	Imported Goods
1982	320.2	338.8	293.2
1983	340.4	362.9	308.4
% Change 83/82	6.3	7.1	5.2
% Change 82/81	8.1	8.6	7.3

Source: BCV

Conclusion

Sirs, the hazardous year 1983 draws to a close with a very restricted macro-economic picture, and not just at the national level, but also on the world level and above all the Latin American level, where according to the Economic Commission for Latin America (ECLA) the situation is the worst it has been in 50 years. The existing imbalances in the Venezuelan economy that have been pointed out here will not correct themselves, spontaneously. A combination of public and private efforts will be necessary, along with tremendous sacrifices, to achieve the concrete goals of exchange stabilization, fiscal austerity and the genuine reactivation of the private economy.

It is indispensable for public officials to be convinced that without the decisive and balanced management of the exchange, fiscal and monetary policies, it will be very difficult, to say the least, to emerge from the economic crisis that has resulted from the drop in oil revenues and our foreign indebtedness.

We should be well aware that for decades now, the overvaluation of the bolivar has caused us to depend on foreign sources for goods and services, in a binge of consumer spending, as investment and purchases all took place outside the country. To put it succinctly, we have lived for years planting our oil outside our borders. We must invite ourselves to plant it within the country.

I am certain that if the necessary measures are adopted to substantially increase the profitability of investments in the sectors of products that we now import and that tomorrow we may export, I am certain, I repeat, that without state paternalism and without excessive economic prostheses, the private economy will be able to respond, generating today the longed-for reactivation of the national economy, and tomorrow contributing decisively to the establishment of a healthier, more diversified and therefore more independent economic productive structure.

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