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JPRS 81901

1 October 1982

19980910 061

West Europe Report

No. 2039

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FOREIGN BROADCAST INFORMATION SERVICE

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DEN UYL CALLS FOR REJECTION OF NEW NUCLEAR ARMS

Rotterdam NRC HANDELSBLAD in Dutch 26 Aug 82 p 7

[Article of opinion by PvdA (Labor Party) Standard Bearer J.M. Den Uyl, for NRC HANDELSBLAD: "Modernization Resolution of 1979 an Historic Mistake, Reject New Nuclear Arms Unconditionally"]

[Text] As though it were promised work, the CDA politicians came forward this weekend to declare that from their point of view, we must all keep quiet about "the missiles." Former Premier De Jong on AVRO [General Broadcasting Association]: "I would find it wrong if the missiles were to play a very large role in the elections." CNV [National Federation of Christian Workers in the Netherlands] Chairman Van Der Meulen: "I should like to tell the politicians: 'Stop talking about the missiles.'" All of that comes a few weeks after standard bearer [of the CDA (Christian Democratic Appeal)] Van Agt declared that he found the question of the missiles to be so important that he considered the participation of the PvdA in a cabinet to be not quite possible if PvdA ministers were not willing to accept governmental responsibility for the possible decision to deploy the missiles.

The PvdA cannot and will not do that. Why?

Two considerations have played a large role in the PvdA's position for the past 2 years. First, the significance of a rejection of the production and deployment of new nuclear weapons to reduce the nuclear arms race. Second, the results of a rejection to the cohesion of the alliance and relations with the United States and the Federal Republic [of Germany].

There is widespread agreement on the necessity "to suppress the role of the nuclear weapon," but that is a confusing term. The thought that any expansion of the nuclear weapons arsenal is senseless, harmful and dangerous was laid down in the PvdA's programs in the early 1970s. The second consideration, relations within the alliance, frequently calls for a careful formulation of that perception.

Senseless

The perception that the expansion and modernization of the nuclear weapons arsenal is senseless for both the United States and the Soviet Union, even if

deterrence is accepted as a means of preventing nuclear war, has a long history. Eisenhower expressed it in 1955 after the introduction of the hydrogen bomb, and Kissenger expressed it in 1959. More recently, General Maxwell D. Taylor, the former U.S. chief of staff, denied "the necessity of general equality with comparable elements of the Soviet arsenal," and condemned "the fixation on numbers of arms, which stimulates a senseless arms race for numerical equality."

In the recent winter issue of FOREIGN AFFAIRS, Keeny and Panofsky confirm that "an annihilating attack on the corporate communities of the United States and the Soviet Union would in fact require only a very small part of the more than 50,000 nuclear weapons."

Certainly President Carter stated in 1979 that "only one of our relatively invulnerable Poseidon submarines possesses enough nuclear warheads to destroy every large and middlesized city in the Soviet Union."

From the point of view of credible deterrence, there is not a single reason for expansion or modernization; that is the conclusion that has been drawn many times by those who see deterrence as a means to prevent the use of nuclear arms. That is also what causes countless people who do not have precise knowledge of the numbers or destructive power to reject new nuclear arms. "Why add anything to weapons with which the superpowers are already in a position to destroy one another many times over? Why, then, have the nuclear weapons arsenals still been expanded for the past 2 decades; why is there the sorry tale of the urge to apply new and more destructive technology, political distrust and the constantly revived thought that supremacy is desired, in order to be able to win a nuclear war? Unfortunately, more must be added to that: specifically, that in the Modernization Resolution of 1979, the need to display political unity played a major part.

The year 1978 was the year of the decision to produce, and then to cancel production, of the neutron warhead. The disunity within the alliance about that and the hesitation as to how to react to it undoubtedly weakened the Carter administration's position. I have never been able to escape the impression that the decision to introduce new intermediate range weapons (the cruise missiles) stemmed to a significant extent from the need to impress the Soviet Union, together with the need on the part of the Federal Republic, in particular, for a visible confirmation of the coupling between the European armed forces and the United States' central, strategic nuclear systems, in order to remove doubts about that.

Anyone who reviews the political results of the resolution since it was reached will have a hard time characterizing it as anything other than an historical mistake. It brought not unity but division, and caused tensions heretofore unknown within the alliance.

Fighting War

What is worse is that in the meanwhile a development took place in the United States which must be noted as being extremely threatening, and which deserves the sharpest opposition. By that I mean the ideas and strategies of the

nuclear fighting war, which continue to play such a dangerous role in the United States today. The idea is first that a nuclear war can be limited, and second that it can be won.

This idea was defended by Secretary of Defense Harold Brown with the contention that it provides the United States with more options than simple "retaliation." "In our analyses and planning," said Brown, "we are paying more attention to how a nuclear war would be fought if deterrence fails."

The Palme Commission devoted considerable attention to the option of a so-called "limited nuclear war." The unanimous conclusion was that that option is completely unreal, and that the thought of "winning" a nuclear war is nonsense. And yet Haig, in a statement on 6 April 82, dealt with it thoroughly: "Deterrence depends on our capability to ensure that an attacker does not obtain a military advantage in a conflict, even after we have received a massive nuclear strike." At the same time, Weinberger is constantly out trying to convince the American people that the United States must expand its nuclear arsenal in order to be able to be victorious in a nuclear war.

This train of thought suggests that the United States must do what the Soviets do to be able to win a nuclear war. In THE NEW YORK TIMES of 30 May 82, mention was made of the Pentagon's new strategy, directed at building up a nuclear power with which a nuclear war can be fought. Theodore Draper (THE NEW YORK TIMES REVIEW OF BOOKS, 15 July 82, from which I have borrowed a few quotations) speaks in this respect of a "monstrous perversion of the doctrine of deterrence." My conclusion, which I had already drawn, is that the Netherlands must oppose the current options in U.S. nuclear policy within NATO with all its power, and--completely independently of what the Soviet Union may do--must turn against the execution of the modernization resolution.

Less Influence

In that conclusion, I discount the second consideration, which I mentioned earlier, the relations within the alliance. A clearly unconditional rejection by the Netherlands will raise tensions, quite surely, but we must not try to avoid that. Prime Minister Van Agt has also wielded the argument that the Netherlands would lose influence and information. I do not believe that, but rather the contrary over the long term. Too much has been set in motion in the United States for that to be the case. The great influence of the freeze movement can certainly not simply be ascribed to the purposes and goals of the European peace movement.

The Kennedy Hatfield resolution calls for a bilateral, not a unilateral freeze of atomic weapons stockpiles, but the arguments and proposals do not differ greatly from the PvdA's position. The fact that the Kennedy Hatfield resolution was only barely rejected (204-202) by the House illustrates how much is changing in the United States. President Reagan began his administration with the position that in the next 10 years the United States must build up its nuclear weapons stockpile, to bring about "equality" with the Soviet Union. Since May 82, that equality has been sought through reductions in existing nuclear weapons stockpiles.

In the foreword that grand old man Averell Harriman wrote to Kennedy's and Hatfield's book, he rejects "the myth of Soviet superiority." Further: "Today, the strategic nuclear weapons of the United States and the Soviet Union are equal in capability. Nothing hinders the search for peace and security more than the belief of one country that the other is superior in the area of atomic weapons."

Now that negotiations about intermediate range weapons have come about with 2 years' delay, the obvious question is how and whether they can be influenced by the Dutch position as advocated here. Thus, they are running parallel to the START, which has begun. It was noted of START earlier that these negotiations between the United States and the Soviet Union are senseless unless they lead to reductions in the existing numbers of weapons.

The manner in which President Reagan formulated the zero option scarcely seems to be a contribution to reaching a result. The Netherlands position aims at leading the United States to farreaching "real" proposals. It seems to me that under the present circumstances, a Dutch rejection would contribute appreciably more to the desired developments in the U.S. position than a general permission for continuing for the time being to collaborate in the introduction of a new generation of nuclear weapons systems in Europe. It seems to be scarcely possible to estimate the influence our actions may have on the Soviet willingness to negotiate, whether inhibiting or not, but it is essential from the standpoint of our responsibility within the alliance that the clause making our own reductions dependent on the actions of the Soviet Union must be broken.

Clear Choice

None of the political parties ought to be silent in these times about nuclear weapons. A clear choice is offered. The Netherlands must reject the new atomic weapons in Europe bluntly and unconditionally, independently of what the Soviet Union does in this area, notwithstanding the pressure from our allies. Politicians must not be silent, despite the inducements to be. Anyone who leaves the allies uncertain about that (and our own Dutch citizens, as well) increases the chance of an unfortunate result of the discussions which are going on in Geneva now on two fronts.

6940

CSO: 3105/205

MUMCU LINKS ARMENIAN TERROR TO NARCOTICS

Istanbul CUMHURİYET in Turkish 10 Aug 82 pp 1,11

["Observation" column by Ugur Mumcu: "Behind Terror"]

[Text] The time when the narcotics trade gained worldwide dominance coincides with the years immediately following the Lebanese civil war. In the aftermath of the Lebanese civil war, in 1975 in particular, nearly 300,000 Armenians migrated to many countries around the world. Most of the Armenians who emigrated from Lebanon settled in southern France.

The Marseilles metropolitan area is one region densely populated by Armenians. Some of the migrating Armenians have also settled in Sweden.

The fact that Marseilles and Beirut are the two important centers of the world narcotics trade is probably no coincidence. The fact that the Swedish police has recently investigated and arrested a large number of Armenians on charges of drug smuggling can also not be considered a coincidence.

Armenian terror against Turkish diplomats abroad recorded a sharp surge in the years following 1975. During the same years, domestic terror in Turkey also escalated. These years also coincide with the time of Armenian migration in the aftermath of the Lebanese civil war. These same years also coincide with the period when the narcotics trade gained worldwide importance. During the same period drug smuggling was closely linked with arms smuggling.

Those who are familiar with the subject know very well that arms and narcotics smuggling in Marseilles, which has a sizeable Armenian population, is mostly conducted by four families. These are: "The Venturi brothers," "the Guerini brothers," "the Marcel Fransiski family" and "the Cean Orsini family." These families are also involved in French domestic politics. For instance, the Guerini brothers support the socialist party in Marseilles in order to undermine the power of the French communist party. Fransiski, on the other hand, seems to be supporting De Gaullist factions.

This information is contained in a report entitled "The World Heroin Problem" and submitted by U.S. Senators M. Morgan and M. Murphy to the U.S. Senate.

What we are saying is this:

All these connections are intertwined. Narcotics smuggling, arms smuggling and terrorism feed on each other. Armenians who are the biggest bosses in the narcotics smuggling business obtain weapons in exchange for drugs and use them to establish close links with terrorist organizations.

In France, the underground world is intertwined with French political parties. Only recently, a novel about the French underground world, written by Graham Greene, a well-known British author who lives in France, was barred from distribution by court order upon the demand of a smuggler whose life and connections were chronicled by the novel.

The Mafia has established close links with French political parties on the right as well as the left and is trying to influence French politics.

Consequently, we do not find it surprising that the French have taken an inhuman and shameful posture toward the Armenian terrorist organizations. We are well aware that, in this last quarter of the 20th century, what matters between governments and countries involves concrete and international interests and not abstract ideologies. We know that even the most peaceful-looking countries are earning billions of dollars from the arms trade.

The Armenian aggression is a bloody phenomenon contained in this "internationalism of interests." Consequently, it is multinational by its nature and character. At a time when we have become the targets of cowardly attacks by Armenian organizations, we must study the issue in the light of concrete facts and enlighten our public as well as the outside world with these facts instead of uttering cliches emanating from the depths of our anger.

9588

CSO: 4654/422

MUMCU ASSAYS DOMESTIC ARMENIAN TERRORISM

Istanbul CUMHURİYET in Turkish 9 Aug 82 pp 1,9

["Observation" column by Ugur Mumcu: "The Armenian Terrorist"]

[Text] The horrible murders committed by the Armenian terrorist organization, ASALA [Armenian Secret Army for the Liberation of Armenia], at Esenboga Airport bring painful thoughts to our minds. This incident means that this terrorist organization has now decided to attack targets in Turkey in addition to its cowardly assaults against our diplomatic representatives overseas. It is from this perspective that the Esenboga ambush must be evaluated.

It is always said and written that terrorism, by its very structure, is multinational. Terrorist organizations are supported by terrorist centers headquartered in many countries. Who is giving so much money, weapons, equipment and forged passports to the Armenian terrorists? It is obvious that Armenian terrorism is not being waged by a few "amateur Armenians." Terrorist organizations are a form of professional organization; Armenian terrorists, like all other terrorist organizations, are being supported by certain dark forces. These organizations have financial and political supporters everywhere from the Americas to Europe and Asia.

Furthermore, in preparing for the assault on Esenboga, the "ASALA organization" established contact with dark organizations and unknown factions which could provide them with support within Turkey.

It is now known that the Palestinian guerrillas who raided the Egyptian embassy in Ankara in 1979 established contact with Omer Faruk Erden, a ranch owner in Gebze, before the raid and obtained their weapons from this wealthy man. In his testimony to the police, Erden said that he was involved in drug smuggling together with Halit Adil Zait, a tractor dealer in Gebze. Two other individuals, Isin Cetinli and Ferit Yogurtcu, were also investigated on charges of supplying arms to the guerrillas, but later it was decided that there were no grounds to prosecute them.

The "ASALA organization" has established contact with individuals and groups who could supply them with weapons in the same manner as the Palestinians did in 1979. There must be no doubts about this fact.

A brief investigation can back with solid evidence the suspicion that Armenians played a role in the terrorist incidents of the pre-12 September 1980 period. In particular, the fact that Armenian names are often encountered in arms smuggling cases already confirm these suspicions.

For example, a smuggling organization which included an Armenian named Garabet Sarkis Abriyan brought into Turkey 70,000 weapons and 27 million rounds of ammunition in smuggling incidents occurring before and after 1970. Cemsit Sakuyan, an Armenian with headquarters set up in Sofia, Bulgaria, played a significant role in the arms smuggling traffic in the pre-12 September period. Garbis Mucizyan is another well-known Armenian arms smuggler. The 63 truckfuls arms sent to Turkey by "Overco," a firm headquartered in the Netherlands and owned by V.O. Koyluyan, an Armenian, provided further evidence about the extent of Armenian involvement in terrorist incidents in Turkey. "Vasula," the Greek ship that attempted to smuggle rocket launchers into Turkey is probably still fresh in the public's mind. All these cases prove that terrorism in Turkey is supported by Armenians and Greeks.

Following this latest assault, an investigation will naturally be launched to determine whether there is adequate security at the entrances and exits of airports. But, beyond that, the issue that really needs to be investigated and clarified is that of the connections of the Armenian terrorist organizations within and without Turkey.

9588

CSO: 4654/423

COMMENTS ON FINANCE MINISTER ARSENIS' ECONOMIC MEASURES

Athens EPIKAIRA in Greek No 734, 26 Aug, 1 Sep 82 p 17

[Article by G. Katsonis]

[Text] The "general line" of the announcements made by Finance Minister Arsenis was already known even before they were made public: restraint, productivity, investments. All this is designed to achieve the "change" and the social justice desired by the government. No less known were the causes, insistent and unrelenting, which brought the government to this forced landing.

The necessary climate of enthusiasm, energy and achievement which should have prevailed in all areas of work (the private sector, the public enterprises, the government) has been replaced by meaningless politicking, controversy and an interminable materialistic or "institutional" mania for demands, while the main objective of work and achievement is almost forgotten. Naturally, productivity has fallen off to disappointing levels.

But the decline in productivity is tantamount to the increased cost compared to the quality of products and services, which causes--and explains--Arsenis' growing headaches:

1. Decline in the competitiveness of Greek products abroad with a slowdown of exports, and domestically with the preference of consumers to foreign less expensive and better products (cheese, milk, juices, processed meats, etc., European foods which sell briskly in the Greek market, as well as many industrial products).
2. Expansion--as a consequence--of the balance of trade deficit which is expected to reach 3 billion dollars by the end of the year while the foreign exchange reserves of the Bank of Greece are significantly depleted and borrowing from abroad becomes increasingly more difficult.
3. Stagnation of the administration in the entire public sector where the main preoccupation is dabbling in politics, feuding and revenge, with the result that the public is not served and naturally complains.
4. The continuing attitude of pressure groups trying to get more benefits without a corresponding improvement in productivity (as in the case of Olympic Airlines, banks, etc.).

5. Increase of deficits everywhere. It is not a mere coincidence that no monthly data on public finances have been made public since April.

In light of the above, it is obvious why inflation goes up in a country which produces less and more expensively (goods) and which insists on spending more and more for less and less work and productivity.

The inevitable return to reality which started with the "restructuring" of the cabinets and which continued with the conference of 1,000 syndicalist cadres is now entering a more essential but warning phase with the Arsenis communication. He was assigned the role of the "unpleasant reality." The role of the generous peddler of optimism will be continued by the premier with his speech at the Salonica Fair on the evening of 11 September.

But the "landing of the plane" will take place around the end of October and beyond when certain measures will have to be taken. What will these measures be? "We are not magicians," the premier said. Consequently, the solutions are more or less known.

Already thoughts are advanced to cut imports by 10 percent to slow down the outflow of foreign exchange.

With regard to investments, the correct government objective becomes theoretical in view of the following:

1. The continuing--for some years--reluctance of the investors.
2. The incompetence--now and in the past--of the public sector.
3. The discouraging--if not terrifying--legislative measures of the government (additional taxes on profits, capital gains taxes on real estate, syndicalist truculence, etc.).
4. The high cost of money and the murky prospects for the economic future.
5. Inexplicable and, in any event, harmful handling of matters to the detriment of specific large enterprises.

7520

CSO: 4621/498

LARGE INVESTMENT FOR STEEL MILL PLANNED

Athens TA NEA in Greek 25 Aug 82 pp 1, 4

[Article by Pandelis Kapsis]

[Excerpts] A feasibility study has been completed--and a decision to implement it is expected soon--for the construction of a new unit for [producing] stainless steel with a 60,000-ton capacity per year and a total investment of approximately 10 billion drachmas (130 million dollars).

The investment will be financed 40 percent through local credits and 60 percent from "export credits" offered by the suppliers of mechanical equipment. The unit will use as its raw material the locally produced ferro-nickel ore from "Larko" and the iron-chromium whose production by Elevme is expected to start in September.

According to the study which was prepared by the Greek Industrial and Mining Investments Company [Elevme] the total exports of iron-chromium and ferro-nickel and stainless steel will reach 200 million dollars a year (14 billion drachmas) while the gain in foreign exchange from the import substitution of kitchen utensils (pots, etc.) will reach 80 million dollars.

It should be noted that Greece is the only EEC country producing iron-chromium and ferro-nickel and therefore the country is assured of receiving special treatment in its exports to member-states.

To be economically viable, this unit needs to sell abroad and in the domestic market one third of its production (20,000 tons). Already, however, a German company has offered to buy this quantity, while the prospects for exports to the Middle East exceed 10,000 tons.

Domestic Sales

At the same time, especially significant will be the benefit for the domestic processing industry which today depends on imports. In addition to the considerable burden for transportation costs, their production cost is higher because domestic firms have to buy small quantities of stainless steel and because they cannot easily sell the raw material which they incorporate in the final product (scrap). These problems are solved with the new unit.

The announcement for the implementation of this investment--which is one of the government's top priorities--is expected either today by Arsenis or at the opening of the Salonica Fair by the premier. On the other hand, it is expected that the final decisions for three other significant investments will be announced:

- a. The unit of lead-mercury (Metva) totalling 350 million dollars.
- b. The complex of petrochemicals totalling 300-400 dollars (the location will soon be chosen).
- c. The alumina unit totalling 22 billion drachmas.

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CSO: 4621/498

BASIC ECONOMIC TRENDS FOR AUGUST 1982 SUMMARIZED

Bilateral United States

Madrid THE SPANISH ECONOMIC NEWS SERVICE in English 3, 10, 17, 24, 31 Aug 82

[3 Aug 82 p 4]

[Text] The Spanish contract for 84 D-18A fighter bombers is the first landed by McDonnell-Douglas to a European NATO country and its successful conclusion is expected to be a factor in forthcoming combat aircraft purchases in Greece and Turkey. So far McDonnell has sold the fighter bomber only to Australia and Canada apart from the US airforce. It is believed that the F-18A's twin engine gave the McDonnell-Douglas the edge over the single engined F-16 rival. It is said that the US Navy Secretary, John F. Lehmann, had written to the Spanish Defence Minister to lobby for the F-18A which the US Navy is also buying, whereas the US Airforce was pushing its claim for the F-16. Allegedly Mr Lehmann noted in his letter that the repair and overhaul work of F-18 with the US Navy's Mediterranean fleet could be done with Spanish facilities but Mr Lehmann said that he had made no commitment to the Spanish on the use of repair facilities. Some experts fear that the price of individual planes may escalate sharply in the procurement process, perhaps undermining president Reagan's budget plans. One option before the military planners is to buy more Grumman A-6 as a main attack plane instead of the F-18As. Under this option the non-attack version of the F-18 which the US Navy has just begun acquiring would be kept for a fighter role. However the Spanish order gives a strong boost to F-18 programme and it has been said that the additional orders would enable McDonnell Douglas to produce the plane more cheaply and save the US Navy 0.3m \$ on each aircraft it buys. The Spanish Under Secretary of Defence has pointed out that the final stage of the purchase has not yet been reached and that the question of technology has still to be discussed between McDonnell Douglas and the Spanish Defence Minister. Spanish papers have also referred to the San Francisco group of Bechtel, one of the world's largest construction engineering companies, usually described as America's "secretive master builders". Secretary of Defence Weinberger was formerly Bechtel's general counsel; Philip Habib, now trouble shooter in the Middle East, was Bechtel's consultant on Asia and the Pacific and George Schultz, now Secretary of State, had been president of Bechtel during 8 years.

The latest issue of the New York based "Spain US trade bulletin" contains several articles of interest. One refers to the executory action in Spain for debts in non-Spanish currency on which we reported last year when a Judge of First Instance in Madrid denied in November 1981 the executory action on the dollar loan made by a syndicate of Banks to a Spanish company Urbis. The decision was not appealed by the syndicate since an out-of Court settlement was reached. The entire matter however caused a tremendous stir and the magazine publishes the exchange of letters between the Chamber and the Bank of Spain in full.

Another article refers to leather garments where a letter from a member who had introduced Spanish leather fashions in the past says that at the present moment he finds current fashions over-priced and poorly designed. The author suggested that Spanish exporters should develop sales agencies and pay them a minimum commission to save the importers mark-up.

Yet another article refers to the export of Spanish sparkling wine to the States and the market share of Spanish Sparklings which has risen from 4.7% in 1979 to 31.2% in 1981.

Iberia offers wide bodied service from New York to Malaga, the only carrier to offer this time saving non stop route.

The FED chairman Volker said that the Fed agreed with the congressional budget of his forecast for the economy which is more pessimistic than the administration's forecast. Volker told the Senate budget committee that he is not surprised by a forecast of budget deficits of between 140 and 160M\$ in each of the next 3 years. He said that the forecast for the economy is in line with what the Fed expects the economy to do,.

Reagan who had studied the Soviet grain pact has decided to extend the grain agreement of the Soviet Union for another year. As far as we see, however, there is no change in Reagan's attitude regarding the pipeline.

Chase, Manufacturers Hanover and some other banks have cut the prime rate to 15 1/2% and a further cut seemed to be in the offing at the end of the week.

[10 Aug 82 p 4]

[Text]

Very few bilateral items can be found in the press. The main fact was the rise in the \$ against the peseta to 113.3 last Friday, a day when the \$ also rose to 2.50 against the DM.

On Monday a Spanish delegation left for the States, led by the DG of International fishing relations to negotiate the fishing quotas which US proposals have substantially cut down in comparison with the past.

General Dynamics have announced that it will maintain its collaboration with the Spanish industry in

spite of the Spanish decision to opt for the F-18A instead of the F-16, i.e. in coal burning technology which General Dynamics introduced in 1980 and which allows the use of Spanish coal. Other contracts, also offered by General Dynamics include the \$ 5m investment in the Westinghouse Electric Spanish subsidiary and also the 1980 contract of Inmont Corp. with CYDESA that produces inks and paints for canneries. Furthermore Freeman Coal is a subsidiary of General Dynamics and will supply coal to Spain under favorable conditions, even stepping up their supplies from 0.12m to 0.155m t.

The *Spanish ChoCs* will hold their annual meeting this year in Chicago from 12th to 14th August. The meeting will specially deal with the marketing possibilities for the 30m US citizens who speak Spanish and whose purchasing power is assessed at \$ 30M p.a. This will increase further in the next decade by nearly 50% of the Spanish speaking population when more than 17 years have to be added. A number of popular consumer firms such as Coca-Cola or Macdonals and also the Japanese Sanyo firm are already carrying out part of their TV propaganda programmes in Spanish.

The New York Federal Reserve Bank is said to have entered the government's securities market to drain a reserve from the banking system by arranging overnight reverse re-purchase agreements. At the time federal funds were at 10 1/2%.

The Treasury Secretary Donald Regan said the prime interest rate, currently at 15%, is likely to drop another percentage point or two before the end of the year.

He told the group that the Administration's economic programme is not just wringing inflation out of the economy but also setting a stage for new investment and renewed growth.

We spoke already above of the steel agreement with the EEC. US officials had been very optimistic that an agreement to limit European steel exports to the US was in the offing but latest reports, especially after the reaction of the US steelworks are rather negative.

During the week under review inspection of destinations of grain (in million bushels) were 1.61 for Spain.

The *Continental Illinois* has published a list of its bad debtors which included International Harvester, Massey Ferguson, American Investco, Poland, Braniff &c.

The Unity Bank and Trust (Boston) has closed definitely and will be reorganised under the name Boston Bank of Commerce.

[Text]

12 countries were milliard-dollar markets for US agriculture in 1981. This compares with only 7 countries of the same level in 1978. The 12 countries accounted for 62% of US farm export earnings in fiscal year 1981 with purchases totalling nearly 27M dollars compared to 16.7M in 1978. Japan remains the largest single market, with just over 6.7M \$ followed by Mexico with 2.7M and Netherlands with 2.3. Spain ranks ninth with 1.39M dollars followed in turn by Italy and UK.

During the week ending August 5th 5.5m bushels maize have been shipped to Spain from Atlantic ports and Gulf ports.

The US transportation department announce a three step programme intended to bolster domestic shipping and shipbuilding.

The US international trade commission ended one case against a Spanish steel product by ruling that pre-stress steel wire strands from Spain are not harming the domestic industry. The commissioners voted 4:1 against the finding of injury. The ITC must determine whether an US industry suffered or might suffer economic harm for the Govt to impose duties. The product is used as a reinforcer in concrete used for building bridges and other projects. The trade panel investigation into the Spanish product was prompted by a complaint by US manufacturers including Bethlehem Steel Corporation, Armco Inc &c. The US imported about 50m \$ worth of the product in April this year, of which 41% came from Japan and 15% from Spain.

The Washington Govt ruled however that 5 EEC countries and Romania dumped illegally steel imports on the US market. The countries were Belgium, UK, West Germany, France and Italy (and Romania). Steel produced in Luxembourg and the Netherlands was cleared of the dumping charges.

The Spanish firm Ingenieria del Calzado SA (ICASA) McDonell Douglas which received the order for the FA-18 fighter bomber will sell over a period of 10 to 15 years Spanish footwear for a value of 100m dollars in the US market. This is said to be one of the counter propositions which McDonell Douglas have promised to carry out in favour of Spain through the US Brown Shoe Co. Spain will also be able to launch on the US market the "standard lasts". Other compensatory orders under the FACA deal refer to the manufacture of aircraft components for the F-18 Hornet, an order which will be placed with the Construcciones Aeronauticas.

During the last 2 years 200 Spanish firms have established firms and industries in the United States. Most of the investors are said to be Basques, but the reports do not say whether they form part of the large Basque colony in the States or whether they are immigrants from the Basque provinces in Spain.

[24 Aug 82 pp 4, 5]

[Text]

US credit market movements were the main and decisive features of the week. On Tuesday credit markets rose sharply especially in longer maturities and much of the movement was attributed to remarks by the chief economist of Solomon Brothers, Henry Kaufman, that he expected longterm interest rates to fall. In a reversal of earlier predictions that longterm bond yields will test or exceed record highs later this year, Kaufman said in a report that these rates—about 12 1/2% currently—should fall to 9 or 10% within the next 12 months. He also said that consumer spending was holding a high level though it is failing to gain ground because of weaknesses elsewhere and that US Defence spending was rising. He added however that the remainder of the economy was straitjacketed by financial blockages and by tough international competition.

Various big banks lowered prime rates to 14% and at the weekend a small bank, Southwest Bank of St. Louis, even dipped to 13.5%.

On the NYSE a rally started 132m shares changing hands in the trading session which followed Tuesday's spectacular gains. In spite of a short setback on Wednesday which was mainly seen as a technical correction papers were convinced that optimism has replaced pessimism though nobody could foretell how long the bubble would last. The FED, cutting the main lending rate for the 3rd time in less than a month, announced that discount rates it charged on direct loans to member banks would drop to 10.5% from 11%, near to the low of 10% in July 1980. It should be remembered that the prime rate stood at 20.5% last autumn, dropping to 14.5 and 14% in the last fortnight.

The broker loan rate has been cut from 11 3/4% to 11% by the US Trust Company.

Spain has slowed down talks about the 3M dollar contract for Macdonnell-Douglas Fighter aircraft until it gets detailed information on commissions on the sale. since a letter to the *New York Times* from Vice Admiral Seymour claimed that the terms agreed on commissions appeared to exceed US government limits since Macdonnell Douglas is said to have agreed to pay its Spanish agent 4m dollars in annual instalments of 350,000 dollars. The Spanish Minister of Defence said he would ask for an explanation of the sums and the names of beneficiaries of any commission on the sale and that he would in no case allow the commission to be included in the price of the aircraft. The US Navy said that the Defence acquisition regulations stipulate that 50,000 \$ was the maximum fee for commission on foreign military sales and the Spanish government has informed the Navy that it will allow no more than 50,000 \$ to be paid for the F-18 in accordance with US regulations. In

the meantime questions have been tabled in the Lower House in Madrid which the YA puts into relation with other major deals of the recent past, e.g. the import of monitoring scoreboards for the Soccer Cup.

The Pentagon has officially informed the Congress in Washington that it plans to sell to Spain twelve V/STOL Fighter Bombers for a total amount of 379m dollars. They are also produced by Macdonnell Douglas which has just sold 84 F-18A to the Madrid government.

An increase of 300% in Spanish purchases of US Ferrous scrap in the 1st half of 1982 makes Spain the US's scrap industry 3rd largest foreign scrap market. Spain was the 8th largest outlet in the 1st half of 1981 taking some 0.15m short tons but 'bargain prices' during the past few months pushed up exports to Spain to 0.6m tons in Jan/June 1982.

The Spanish Zinc countervailing duty case had been stalled since May by the US commerce department's preoccupation with steel dumping cases. The speculation is that once they are disposed of the dept or commerce will resume consideration of new evidence which would restore the penalty duty on imports of Spanish Zinc. Officials believe that new hearings will be held in mid-September. A decision on the case however is not expected before the end of the year. We reported on the matter a year ago.

[31 Aug 82 p 4]

[Text]

The Department of Commerce says in a preliminary ruling that carbon and stainless steel products shipped from Spain to the US have benefited from improper Govt. subsidies, ranging from 1.96 to 32.46% on carbon steel products and from 2.45 to 6.61% on stainless steel. Importers will be required to post bonds sufficient to offset the alleged subsidy. Spain shipped about 199m \$ of the offending products to the US in 1981.

The change of government in Spain has aroused considerable interest in the States which are interested in the exchange rate of the peseta, the Spanish need for increasingly borrowing abroad and the new restrictions on Spanish investments. It is generally assumed that capital flight will continue here and in other countries.

The US FED board has cut its rate by 1/2% to 10%, the 4th reduction in the last few weeks. Other US institutions are expected to follow suit. (Meanwhile in Europe the West German Bundesbank has reduced its interest rate by 1% and similar reductions were announced by the Swiss National Bank, the Dutch and Italian Bankers Association).

The general situation is one of considerable movement. On the New York Stock Exchange Dow-Jones

shot up again, gold hit 430 at the end of the week and there was also considerable support from external political factors such as the virtual destruction by bombing of the main berthing jetties of the oil terminal on Kharg Island or the renewed tension in Poland where the 2nd anniversary of the Solidarity Syndicate on August 31st may be a date of unforeseeable importance.

All papers reported that the US in a move aimed at discouraging West European cooperation on the Soviet gas pipeline barred exports of US goods, services and technology to the French subsidiary of the US firm Dresser and also to the French firm Croisot-Loire, which supplied parts for the project.

Spain is meanwhile in close contact with the US administration in order to avoid that Spain, too, gets involved in the 'war of steel' between Europe and the US.

With regard to the FACA purchase of F-18A from Macdonnell Douglas, it would seem that Spain considers the deal as a "government-to-government" transaction and insists that the commissions paid by Macdonnell Douglas cannot be slapped on the price for the aircraft.

The European Community, worried about the possible increase in tension with the US ahead of congressional elections in November, is pressing for urgent talks on the Soviet gas pipeline disagreement. The Community has presented a statement of political, economic and legal objections to the technology embargo but had not yet received any answer from Washington by the end of the week.

As to steel, exports to US, the department of Commerce said that exports from 6 EEC nations had been found to be subsidised. President Thorn of whom we spoke under "EEC" insisted that in the controversy over the pipeline and the parallel disputes about steel, both sides should avoid further verbal hostilities which could only worsen relations within the Atlantic Alliance.

Gold, Foreign Exchange and Peseta

Madrid THE SPANISH ECONOMIC NEWS SERVICE in English 3, 10, 17, 24, 31 Aug 82

[3 Aug 82 p 10]

[Text]

As usual at this time of the year (though the usual "canicula" was singularly absent), reports of interest have dwindled to next to nothing. Gold ended the week with a morning fix of 342.5 but we also learn that demand for gold in carat jewelry is rising and should use at least 800 t of gold in 1982 against approx. 594 t in 1981: with 200-230 t for coins, 250 t for industrial and other uses of gold, including dentistry. An executive officer of International gold ltd said that the demand by central bank and investment was hard to assess but central banks from developing countries were buyers of

gold when the price dropped to \$ 300 earlier this year. Supplies from the communist bloc should total around 300 t and the Reserve bank of South Africa made gold swap arrangements with European but International Gold Ltd. declined to elaborate.

The peseta rose just for a day to 109.492 but fell back at the week at 111.945. Capital flight continued in Spain, as elsewhere, not only because the \$ rose but also because the confidence in the peseta weakened. YA even claims, though without tangible proof, that since the days of Franco's death capital flight has been never so strong as this year. It is exactly the same situation as in France with US and Switzerland as the main attraction centers. Even if US interest rates should fall (which not many people expect in the near future), the underlying strength of the \$ is simply the universal conviction that the political and economic power of the US is very strong and that money is nowhere else as safe as in the States and in some, not many, European havens. Even the sheiks go the same way and put their money in gold and in US Treasury bills. There is therefore nothing extraordinary in the Spanish capital flight which YA assesses at 500M ptas in the last 10 years. This is probably even an understatement though we have no alternative figure to offer. Another grim aspect of the matter is the confidence crisis in financial markets and the certainty that the crisis can turn dramatic with weak governments. Another factor to be reckoned with is the general trend in the whole world towards the consolidation of the prolific banking system which will be reduced by mergers, new bank technology, take-overs or financial collapses to probably 30% (or less) of the present number.

[10 Aug 82 p 8]

[Text]

There is little change in the gold price with 342. The market was steady within the recent range with moderate professional trading. Spectacular was the firming up of the \$ that reached a new all-time high against the peseta with 113.302 at Fridays morning fixing in the Bank of Spain (BoS). This time, however, the peseta, having lost already 17.83% against the \$ since the beginning of the year, was not the only victim; it was 6.97 for the fFrcs, 1400 for the Lit, and nearly 261 for the yen; the DM weakened to 2.50.

On gold futures, see UK/LIFFE; we may add that members of the International Futures Exchange (Bermuda) will trade by means of computer trading stations, which provide each member with "floor" access from its office over a video screen console. Gold futures will be traded in units of 100 troy oz. The initial specifications feature 6 contract months (February, April, June, August, October and December) but the Exchange said it

will add months based on market conditions and membership needs.

Long term US Treasury Bond futures will be traded in units with face value at maturity of 100.000 \$ and an 8% coupon. The initial contract months are March, June, September and December.

Two-peseta coins will be put into circulation on Nov. 15th and ten-peseta coins on January 1st.

[17 Aug 82 p 8]

[Text]

The gold hovered about 338\$/oz. The peseta weakened to 114.02 and recovered at the weekend to 112.77. Nothing very exciting anyway. It does not reflect the hectic movement in the monetary sphere: above all the Mexican peso, currencies in Argentine and—more moderately in Chile, in central American States (Costa Rica &c.), and possibly in Brazil after the November elections. Nor the worsening in the financial sector with roll-overs, rescheduling, lengthening arrears &c. in the East Bloc countries (even the USSR seems to step up borrowing), in Iraq and Iran, in Libya . . . A report of the British banks, made at the request of the Treasury in London says that rescheduling depended on many factors, uncertainties and risks such as the GDP growth rate, oil price adjustment, interest rates, and the use of protectionism in international trade. Any refinancing of the heavy foreign debts, especially if it triggers off a crisis in some important credit institutes could lead to a general loss of confidence in the international banking system. The British banks are well aware of the dangers but they insist that it was imperative to ascertain the *last-resort-lender facilities* of the central banks of the countries *outside* the group of the ten most industrialized nations. The British report also includes statements by Bundesbank and Bank of Japan (the US \$, the DM and the yen continue being considered the 3 key currencies on which the international payment system is based) which also underline that for a day of crisis in the international foreign debt system, the world community is today better prepared than only a few years ago.

BALANCE OF PAYMENT

In Jan/May 1982 the BoP shows a deficit of 1682m \$. Reserves had receded to 13.2M \$ but the BoP situation was better than in 1981. The *trade balance* of the 5 months Jan/May shows a deficit of \$ 4,2M (1.18M less than a year ago), an improvement mainly due to a lesser petroleum bill. Services results were better because of tourism and of investment income which, together with lesser transfer left the current balance deficit at \$ 2466m. In the long term capital sector the persistent foreign investment, increase of Spanish investment abroad, less

foreign credits and more Spanish credits abroad led the long term capital net position to 1092m\$ or considerably less than the year-ago figure.

[24 Aug 82 p 9]

[Text]

The interest rate falls improved prospects for a gold recovery though opinions differ. With gold sharply higher at the end of the week at \$ 379, some said that it takes more than a fall in interest rates to cause another bull market. It will take some time before a long term uptrend develops and even a rise up to around 400/425\$ would leave a considerable likelihood of a relapse back to around 350 to complete necessary base building. Only a major loss of confidence in the \$ or a concomitant return to inflation could create a sustained bull market in gold and neither of the two conditions are in the cards. The \$ was weak and the peseta rose technically to 110.878.

Sandberg (Bankers Trust Co.) gave a good summary of the peseta's recent history and outlook pointing to the improval of the BoP but also to the worsening of inflation, the fall of reserves and the "Election rage". Sandberg believes that the chance of a significant depreciation of the peseta sometime during the next 12 months has risen appreciably.

The parity of the peseta on August 17th was:

Against the \$ 112.90

Against the ECU 106.109

Against the SDR 122.028

[31 Aug 82 p 8]

[Text]

On Friday gold was fixed in London at a 9 month high of \$425.25, \$10 up from the fix the day before. Gold is supported by the concern over the problem within the international banking system and over falling US and European interest rates.

Little change in the peseta position vis-à-vis the \$. It improved briefly to over 109 but weakened again and closed the week at 110.750.

The parities were on the 26th inst.:

Against the \$ 108.975

Against the ECU 106.291

Against the SDR 120.523

The reserves of gold and reserves have improved against the year ago figures: the 13.1M\$ of July compare with 11.99M\$ but any comparison is misleading since the gold was revalued in December from 616m to \$3899, a difference of 323m\$. On the other hand, the present rise in gold prices, if it stabilizes itself during the quarter

would allow an increase in the BoS gold accountancy.

The BoP/CA in the first 5 months shows deficit of 2.4M\$ in 1982 whereas the Jan/May 1981 deficit was 3669.8m\$, mainly due to the lower BoT deficit which was 4239m\$ this year against \$ 5418.7m in Jan/May 1982.

Foreign Investment in Spain

Madrid THE SPANISH ECONOMIC NEWS SERVICE IN English 3, 10, 17, 24, 31 Aug 82

[3 Aug 82 p 10]

[Text]

DIRECT INVESTMENTS

Direct investments were reported and Portfolio Investment has thinned considerably.

CREDITS

The Kingdom of Spain is negotiating again a £ 100m credit with 4 banking groups (Samuel Montague, National Westminster, Baring and Bank of America), all 4-years and at 3/8 over Libor. This would cover the last \$200m still open under the 1982 budget's \$1M foreign indebtedness. Up to now 75.8M ptas of the total have been covered. Now the British group would cover the rest. But even now there is some vague talk of a long term bulldog deal in UK and Saturday morning papers reported that the *Kingdom of Spain* has given the mandate for a syndicated loan of 10.000m yen (4.4M ptas) to Fuji, Mitsubishi, Mitsui and Dai Ichi Kanguo. (a 10 year loan in two equal tranches, at 8.4%, i.e. the Japanese long term lending rate.) This comes, if confirmed, just one month after the Tokyo Bank loan reported by us in the issue of July 13th.

FECSA signed a 50m \$ 7-year loan with a 7-bank consortium under the lead manager of Banque Indosuez.

The \$ 250m loan for the *Official Credit Institute* was signed in London last week. Chase Manhattan is the lead manager.

RENFE will sign in September two credit operations for together 15.8M ptas, i.e. one of 12M yen on prime rate for 10 years and one of \$ 80m 10 yrs (6 of grace) at 3/8 over Libor.

[10 Aug 82 p 8]

[Text]

DIRECT INVESTMENTS

The German car firm BMW represented in Spain since July 1st through BMW Iberica will multiply the purchase of car components in Spain up to 2500m ptas over the

next 3 years. The capital of the new company is 250m ptas.

CREDITS

Here an important change has been noted: It will be remembered that the Govt. planned to cover 100M of the deficit by the issue of foreign debt and 150M (120 plus deferrals of 1981 of 30M) by the issue of short term debts and IOUs but the result of the IOU issues was most disappointing since they had brought in only 27M in the fortnightly tenders since the end of April. The 100M ptas foreign borrowing had been covered but a gap has been left open in the domestic issue, so part of the home borrowing will be switched to foreign borrowing, a switch which the Budget Act admits. So 20-25M ptas of the 120M ptas home issues will go into the foreign loan sector reducing the loss in foreign exchange reserves which would otherwise exceed 2M \$. by the end of the year. Under the original foreign borrowing program of 100M ptas a 10M yen credit in the Japanese market has been arranged with Fuji and the Kingdom of Spain credit for £ 100m originally planned to be placed with 4 banks (see last week) had its mandate awarded to Lloyds Bank International/National Westminster, lead managers of a 7-bank consortium. The interest rate on the 4-year eurocredit will be 3/4% above LIBOR (average 12 5/16) The loan will be repaid in full at maturity. This is the 2nd Lloyds credit this year since Lloyd was already in the \$ 450m credit which the Kingdom of Spain obtained in spring. (On the Kingdom of Spain financing, see also "Credits" of May 14th).

The \$ 65m 8-year package for AUCALSA motorways has emerged with 50% Govt. avaled and a split margin of 1/2-5/8% above LIBOR while the non-avaled tranche bears throughout 1 3/8% above Libor.

Prospective managers are currently being sought to underwrite \$ 8m each for a 1/16% underwriting fee plus 5/16% on final take.

[17 Aug 82 pp 8, 9]

[Text]

DIRECT INVESTMENT

Partly politically motivated (with pre-electoral propaganda already in full swing) the Council of ministers which met for the last time before the end of the month (on August 27th) emphasized in its agenda last Thursday, that foreign investment applications for 12.974m ptas had been approved.

<i>Foreign investor</i>	<i>Spanish firm</i>	<i>in m ptas</i>	<i>% of capital</i>
La Preservatrice Fonciere Tiard (French)	Atlantida	180.78	100
Swiss Re Holding (Swiss) }	Los Quince Regiones	62.4	100
Vaudoise Assurance }	Printer Industria Grafica	1633.86	100
Bertelsmann AG (German)	Promotora de Hipermercados	1375.63	75.8
Carrefour SA (French/Spanish) }	Sierra Blanca SA	694.35	100
Simago }	Westinghouse SA	3158	92.9
US & German capital	Ombia SAE	69.7	100
Westinghouse Electric SA (Swiss)	G.M. España	5700	100
Groupe Drouot (French)			
La Vie Nouvelle			
General Motors (US)			

With the new GM investment the US firm has already invested approx. 10M ptas in Spain which, together with Westinghouse, is seen by the Govt. as a token of confidence in the possibilities of the Spanish market.

We mentioned the acquisition of "Iberotel" (Please, correct last week's misprint Iberotea under "Germany") by TUI in the Aug. 10th issue. The German company (Turistic Union International) had held already previously 40% and Iberotel forms a chain of 32 hotels with a total capacity of 14.000 beds). The former sole owner was Wilhelm Cryns.

The Spanish Nestle group in Spain with headquarters in Esplugas de Llobregat, has taken over its subsidiaries Libby España (in Dos Hermanas, Sevilla) and Productos Maggi (Valladolid) for 7 Nestle against 3 Libbys and 13 Nestle for one Maggi resp. Nestle's total invoiced last year was 54.5M ptas and the merger was mainly justified by the forthcoming introduction of the VAT in Spain. It is also said that a merger with the two Nestle associates "Derivados Lacteos Alimenticios" and with Massanes y Gran will follow soon.

CREDITS

The Cabinet has authorized the 10M yen syndicated credit (see SENS of Aut. 10th)

ROYALTIES

In Jan/May 1982 Spain paid 26.4M ptas in royalties and technical assistance (KH) and received only 5786m for the same concept. The amount paid out in royalties has risen steadily from 34.7M in 1979 to 52.4M in 1981 while income rose from 7.6M to 16.7M over the same period. The GAP is part of the price. Spain is paying for Unamuno's "Que inventen ellos".

[24 Aug 82 p 9]

[Text]

At the end of June the 28 foreign banks established in Spain held deposits of 100.9M ptas. Eight had more than 1M ptas deposits and three (Société Générale de Banque 39.2M, Crédit Lyonnais 29.8 and BOLSA 13.9M) more than 10M. The other 5 banks were Bank of America, Continental Illinois, Dresdner Bank, Citybank and Commerzbank.

CREDITS

The *StGaz* carried the conditions for the 15M yen credit for ICO and the \$ 75m 10-year and the \$ 75m 7-year which had been mentioned by us in the issue of August 3rd as well as the sFrcs 100 private issue of ICO in the Swiss market.

The *StGaz* also published the State aval for the \$80m loan for the RENFE and also RENFE's Yen 12M of the Sumitomo consortium.

[31 Aug 82 p 8]

[Text]

DIRECT INVESTMENTS

Rumours that the German Fine Ceramics firms Rosenthal would take over the Irun-based Luso-Española de Porcelanas "Bidasoa" have been denied. Bidasoa had suspended pagos in summer 1981. Rosenthal which already operates the Caolines de Lago (Corunna) continues to cooperate with Bidasoa but refrains from further engagements because Bidasoa's prices are 20% above its Spanish, and 30% above its foreign competitors.

Rumours also spoke of interest of American banks (Marine Midland and Bank of Montreal) for the Banco de Pirineos and other sources claim that the Junta of Andalucía tries to get Arab countries interested in Andalusian industrial farming and breeding. A delegation is expected to visit Quatar in the 2nd half of October, led by Junata president Escuredo.

It has been reported that talks between Volkswagen and SEAT were resumed on August 13th but nothing beyond that already reported had leaked out. According to *ABC* which in turn mainly quotes *Le Monde* France is rather concerned about the number of foreign car makes made in and exported from Spain which are a serious and growing competition both inside Spain and abroad for the French Renaults and Citroen. The conditions for GM are "extremely favourable" and 90% of the 270.000 units GM will make in Spain (10% of the European market) will be exported. Another danger is the potential cooperation GM/Toyota in California.

CREDITS

In spite of stricter conditions and higher margins and in spite of the nervousness about the international financial system, borrowing will continue, probably with new formulas, may be with the opening of private grey markets with usury rates or with trade in blocked accounts at discount rates.

Public Sector

Madrid THE SPANISH ECONOMIC NEWS SERVICE in English 3, 10, 17, 24, 31 Aug 82

[3 Aug 82 p 11]

[Text]

At the end of June the *budgetary deficit* was 551M (between 1112M receipts and 1663M expenditure). This compares with a deficit of 189M in 1980 and one of 274M 1981. The budget for the year 1982 had foreseen 2785M receipts, 3485M expenditure and 700M deficit. The lack of household figures of the Basque provinces makes it impossible to provide correct overall figures. The financing of the half-yearly deficit is mainly based on recourses of the BoS with roughly 578M or nearly the double of the corresponding year-ago-figure. The household deficit of 1982 is conservatively assessed at over 950M ptas.

The public deficit expressed in percentage points of the gdp was 3% per average in the OECD but 3.6% in Spain and the corresponding figure for 1982 will be 4% (budgeted) in the OECD and 4.6% presumably for Spain.

A PSOE spokesman (Enrique Baron) spoke on *tax reform* in Santander. He said that tax fraud, comprising misdemeanours and felonies alike, represented probably over 900M ptas and that only 44% of the real income has been declared.

Tax collection of the *Catalan* Generalidad during the first half of the year was 21.737m ptas which compares with 20.6M ptas in the first half of 1981.

The intraterritorial compensation fund for 1983 will be reduced by 30M ptas to 173.9M. Total 1983 investment budgeted will be 580M of which 434.78M will be "new investment". The interterritorial compensation represents 40% of "new investment".

The Cabinet meeting last Friday, the last before the August holidays approved i.a. subsidies totalling 805m ptas for the company Hilados y Tejidos Puigneto DS, Ptas 450m for the restructuring of General Electrica Espanola as well as the financing of ENPETROL and HISPANOIL.

At the end of the week interbank overnight paid 16.51% (with 23M ptas) and 30 days 16.64% (for 1370m ptas.) Total C/Ds and IOUs in circulation were 1079M ptas on July 30th.

[10 Aug 82 p 9]

[Text]

The statement of the Bank of Spain as per June 30, 1982 may be summarized as follows:

	in M ptas	
	31/5/82	30/6/82
ASSETS		
Gold/For. exchange conv.	1013.9	998.4
gold/for. exch. conv.	969.7	995.5
gold special debt	1.57	1.48
Gold/Treasury	1.34	1.34
IMF net position	17.2	18.2
SDR	23.1	21.9
For. exchange not conv.	—	—
coins	1.5	1.27
Portfolio commercial	731.6	723.2
Redisc. bills	49.0	47.4
Credit/redisc.	23.4	23.4
Public Organ. rediscount	11.6	11.6
Personal credits		
Publ. organisations	221.4	222.7
Other credit organ.	173.4	178.5
Trade/Industry	0.23	0.23
Lombard	0.57	0.58
Regulated Acc.	101.3	95.4
Securities/Shares &c.	93.67	93.6
Treasury	1840.1	1909.5
Current Accounts	1040.9	628.3
LIABILITIES		
Notes in circulation	1416.8	1466.7
Gold price regul. acc.	258.5	240.5
Credit in conv. exchange	15.7	16.4
id. in non conv.	—	—
Deposits and CRM	1018.3	974.9
Treasury	157.5	192.9
autonomous bodies	122.4	128.9
Treasury Bills	24.0	9.0

The main changes are those in the Treasury current account. In April 1981 it reached and exceeded 1027M ptas. In June 1981 the BoS decided to split the Treasury account by blocking 653M which appeared under "Special Law 74/1980" as frozen item. Still the remaining 373M continued to rise and reached again 1059M in April 1982. The BoS has now decided to split the Account again by separating 471M under "Special Law 44/1981" which leaves the Treasury account as follows:

Current Account 686.37M

Spec. Law 74/80 552.92

Spec Law 44/81 470.990

i.e. 1810.28 or, if interest and repayment services as well as Fidecaya are included 1909M ptas of which 1.12B are "consolidated (i.e. frozen) advances" which are non-interest bearing and well beyond the legal 12% limit of advances the BoS is allowed to grant. The Treasury is

thus with nearly 2B in the red, twice as much as 12 months ago.

The *Social Security* budget of 1983 will probably amount to Ptas. 2668M. On the expenditure side 1515M will go into pensions which had risen from 80.55M in 1972 to 1283M under the 1982 budget. The official forecasts are however considered as much too optimistic as far as revenue are concerned since they are based on a 3% growth of the gdp and on a CPI of 11%.

The SS budget 1983 will show an increase of 14.33 over 1982.

Former Second Deputy PM Enrique Fuentes Quintana has joined the Board of the BoS.

The value of the gold held by the BoS as part of its reserves has fallen in the first 6 months of the year by 53M ptas: from the 293.4M ptas on Jan. 1st to 240.5M on June 30th.

TAXATION

Under the economic agreement signed by the Govt. and the Vatican on Jan. 3rd 1979, the ecclesiastic tax will be introduced in 1983. The State will assign a certain percentage of the income tax and of the wealth tax which will be determined over a period of 3 years on the basis of declarations made by the individual taxpayer, although the State pays for or contributes towards services provided by the Roman Catholic or any other church.

[17 Aug 82 p 10]

[Text]

The total amount of IOUs and C/D in circulation has risen last week to 1,135M ptas and the interbank market showed the holiday-weekend picture of 4.9M overnight at 15.22% 40.4M for three days at 11.80 and 650m for 30 days at 15.90%; the medium weighted rate for C/D and IOUs was 16.9% on Friday 13th.

The Cabinet sent a bill to the Cortes on an extraordinary supplementary credit of 6175m to cover the 1980 deficit of HUNOSA, apart from a 179m extra-ord. credit to cover the subsidies for political parties expenditure in the Andalusian elections.

Some details of the forthcoming Budget Bill have leaked out. It would seem that on the expenditure side of the Budget 1983 the total is 4.1B (10¹²) ptas and 3.3 on the revenue side, which would leave a deficit of 850M ptas. The draft will be completed in the first half of September, but two items have still to be fixed: the investment by the Public Sector (which according to some media may reach 581M ptas, of which 434.8M would be *new* investment and, according to others, nearly 1B ptas) and the rise in Civil Service emoluments which a working hypothesis has provisionally put at 9%.

Papers also say that Income Tax deductions for members of the family will be increased and that revenue under indirect taxes will be higher than that under direct taxes but (which would be for the first time since the tax reform) But the Govt. has explicitly warned the public to draw any conclusions from the figures leaked out to press and radio since a number of fundamental structural problems have not yet been settled.

PUBLIC ENTERPRISES

The INI is studying the potential establishment of three new "SODIS" (regional companies for industrial development), this time for Murcia, Aragon and Rioja.

LOCAL ADMINISTRATION

The average madrileño pays 14.500 ptas p.a. in rates, i.e. taxes paid to the Local Town Hall, covering sewerage, refuse disposal, town maintenance as well as a road tax which is only applicable to residents who own a car. *Iberian Sun* says that "while in other European countries a major part of state taxes is destined for use by the local authorities in Spain only 10% of the taxes collected reach the townhalls.

[24 Aug 82 p 10]

[Text]

M-3 money supply growth registered a 12.6% annualised growth in June compared with 20.5% in May 1982 and with 10.1% rise in June 1981. The year-on-year growth in June was 17.4% compared with a 17.5% ceiling for the year.

The Budget performance of Jan/June 1982 shows a deficit of 653M compared with 407 in the first half of 1981, though in May and June revenue increased more rapidly and payments had slowed down. The deficit was mainly financed by BoS advances which rose by 649M though debt issue at home (40M) and foreign financing (47.7M) and pending claims vis-à-vis regional autonomies reduced the financial requirements of the Central Administration. The rise in BoS advances was therefore lesser than the increase of the total deficit. The increase in indirect taxes was more pronounced than that of direct taxation according to the BoS report on July and August.

The total household figures 1981 show under revenue 2516M ptas and under expenditure 2743M.

PUBLIC ENTERPRISES

Amongst the INH (Hydro-carbons) companies (which were formerly the only profitmaking INI companies) we note in 1981 the following profits: ENAGAS with 8.1M,

CAMPSA 2.9M, ENPETROL 2.6M, BUTANO 908m, PETROLIBER 832mn, and HISPANOIL with 291m, whereas ENIEPSA made a loss of 207m ptas.

[31 Aug 82 p 9]

[Text]

Here follows the customary extract of the BoS statement: for July 1982

	in M ptas.	
	30/6/82	31/7/82
ASSETS		
Gold/For. Exch. conv.	998.4	990.4
gold/for. exch. conv.	995.4	947.4
gold/spec. debt	1.48	1.48
gold/Treasury	1.34	1.34
IMF net position	18.2	18.2
SDR	21.9	21.9
For. Exch. not conv.	—	—
coins	1.27	1.23
Portfolio commercial	723.2	730.0
redisc. bills	47.4	47.0
credit/redisc	23.4	23.4
Public Org. rediscount	11.6	11.6

Private Sector

Madrid THE SPANISH ECONOMIC NEWS SERVICE in English 3, 10, 17, 24, 31 Aug 82

[3 Aug 82 p 11]

[Text]

The Spanish *banks* are willing to step up their coverage of monetary regulation funds to 1300M but there is no final agreement between BoS and Private banks and no indication when such an agreement may be signed.

A MO of the M/Economy (*StGaz* July 28th) deals with the evaluation conditions for goods admitted as mortgage security.

A RD (*StGaz* July 28th) deals with the conditions for refinancing companies.

The Catalan Caixa has put into circulation a new type of mortgage credit with 20 maturities. Interest rates depend on the amount granted: 17.8% for amounts up to 1.5ptas., 18.30 for up to 3m and 18.80% for credits of more than 3m ptas.

The Savings Bank on Sta. Cruz de Tenerife signed an 800m ptas credit deal with IRYSA for farm modernisation and exploitation.

[10 Aug 82 p 10]

[Text]

BANKING

The main current problems are more in the international than in the domestic sector though here, too, a

major bank failure can never be ruled out. In world banking however many people seem increasingly afraid of the domino effect, for many reasons which have been pinpointed by recent events: the warning against over-lending by banks, the lack of a bank-of-last-resort, the legal gaps in the Basle Concordate revealed by the Ambrosiano Holdings in Luxembourg, country defaults (especially in the East Bloc and Latin-American states) &c. "There is the world-wide danger that another financial failure of a country (debtor countries are often stronger than creditor countries) or of a major institution may lead to a confidence crisis for the international financial sector". State-ownership of banks does not resolve the problem because it shifts the problem only to currency markets with additional downward pressure on the respective exchange rates."

Interbank overnight was paid at 15.91% for 4.5M and "three days" 11.66% for 38.5M whereas 30 days remained at 16.32% for 1.44M.

The total amount of CEDES and IOUs was 1135M on August 6th.

Bank resources rose in Jan/June 1982 by 891 M or 8.45% whereas investment rose by 605M or 6.21% with the main setback in bills which fell back from 3.7B to 3.6B (and almost exclusively in 90 days bills). The banks have therefore in fact invested 300M less than they received during the first half of the year.

The Banco Comercial Español which was bought by the Banco de Santander 4 years ago has paid its first gross interim dividend of 40 ptas for 1982.

Trade in Banco de Credito Comercial, taken over by the Banco de Vizcaya has been interrupted on the Madrid SE until Sept. 3rd.

RECEIVERSHIP

At the end of June and in the following weeks a substantial number of failures were reported: Euroflet, with liabilities of 1000m ptas has asked for a receiver and papers report that the daily paper *Sol de España*, formerly published in Tangier, now in Malaga, may also have to close down as *Ediciones 2001* did only a few days ago. Construcción Moda suspended payments (with 563m ptas lib.) and more than 20 suspension of payments were reported by Barcelona: i.a. Cepfa-Naue (chem.), Mecqno Quimica/Luxofil, Metro Iberica, Kits Didacticos, Litocrom, Aprestos y Acabados &c.

The most important item seems to be the confirmation that the winding up of the *Naviera Aznar* has been decided. Its debts amount to 4659m ptas with the Builders Bank (Official), Urquijo Bank, Treasury and Social Welfare being the main creditors. (Others are BHA, Astano, and Juliana-Gijonesa). The fleet of 7 ships will be sold for, it is said, 2500m ptas. a figure difficult to judge in the current market situation.

[17 Aug 82 p 10]

[Text]

BANKING

Total borrowed money (incl. foreign exchange accounts, certificates issued by the banks in (banks represented 10.5M ptas on June 30th, an 8.6% increase over the 9.7B at the end of 1981.

The BoS has published a revised text of the circular requesting banks to publish regular confidential reports with some additional regulations regarding operations with abroad, reports about the financial groups, of which the corresponding bank forms part, and risk rates in the various countries &c.

The *Mortgage Bank* has announced that it will open in September a new line of 15-year credits at variable interest (which is more competitive with private banks) for potential buyers of housing. The credits, extendable to 20 years will cover 50% of the value.

[24 Aug 82 p 10]

[Text]

BANKING

Deposits in foreign exchange have shown a spectacular rise in the first 5 months 1982 which surpassed the total increase of the 12 months 1981.

The prominent event of the week was the Govt. approval for the take-over of the *Banco Internacional de Comercio* by the Banco Central which was also accepted by the shareholders though in a very stormy general meeting, to which the press was not admitted. Some shareholders even hinted that an appeal to the courts against the merger with the Banco Central could not be ruled out.

"The Banker" (August issue) carried an article on the problem of nationalism showing that regional politics in Spain can and do affect banking in an important way. The paper specially refers to the case of the Catalana group of banks which is the largest private financial grouping in Catalonia, with together over Ptas 230M ptas. "For this group to lose its Catalan identity" says the paper" would have been politically embarrassing for the Catalan Govt. and unacceptable for Catalan nationalists, which reduces the number of potential candidates. Catalan banking has never created one single entity with a regional identity as the Basques have with "Bilbao" and "Vizcaya" or the Cantabrians with the Banco de Santander.

Spanish financing houses moved a total of 219M ptas in the past fiscal year of which 70.5% went into the financing of car sales, with 154M ptas. The rest is taken

up by "services and other operations" (29.3M), capital goods (18.9M), real estate (8.7M) and durable consumer goods (6.48M).

[31 Aug 82 p 10]

[Text]

BANKING

We reported under "Stock Exchange" that Banco Zaragozano had protested against the suspension of its quotation on the Madrid SE following press reports (*El Pais*) that it will take over Banco de Levante in September. The Zaragozano spokesman said that talks between the two banks had not produced any take over or merger commitment likely to justify the suspension.

On Banco de los Pirineos, see "Foreign Investment in Spain".

Observers have pinpointed the apparent ease and smoothness with which the Banco Central seems to master the take-over of other banks which in many cases present quite a problem in staff and administration to other banks though these internal problems hardly ever appear in the media.

There are also some guesses regarding the Banco de Descuento, the only Spanish bank still under the administration of the Deposit Insurance Fund where auditors, too, have discovered a number of "accountancy gaps", similar to those in the Banco Occidental, *El Pais* says.

In our issue of July 13th we spoke under "Briefs from the Boardrooms" of an Inmobiliaria de Cementos Portland. This is a misprint which we ask you to excuse. The firm listed is Valenciana de Cementos Portland.

The firm "Quatro Vientos Editoriales SA" (Moraleja Madrid) a publishing centre has been established with Sephardim capital.

SUSPENSION OF PAYMENTS

According to the press the travel agency Catalonia may ask for a receiver and suspension of payments has been reported by the Sociedad Utrerana de Maderas (Sevilla).

Sofico Renta which suspended payment in Nov. 1974 has started to pay part of its debts: 5% or 185m ptas out of a total debt of 3700m ptas which will have to be repaid pro rata to the 16.800 creditors of "Marbella-2".

Graficas Cantin asked for a receiver.

INSURANCE

Fire destroyed the shoe factory Eximios, a crusher in Los Yebenes (loss 500 t oil and 300m ptas) and we read that the total loss caused by fire in the textile centre of Sabadell on June 14th amounted to 1600m ptas.

Economic Policy

Madrid THE SPANISH ECONOMIC NEWS SERVICE in English 3, 10, 17, 24, 31 Aug 82

[3 Aug 82 p 12]

[Text]

Just before the great summer exodus started, a Banco Popular spokesman gave a general survey of the economic situation and merely summarized what had already been stated repeatedly in the press. He foresaw a minimum deficit of 950M ptas at the end of the year. He also said that the incipient investing was again bogging down and that the industrial production index had fallen by more than 4% in the course of the sector which permitted some optimism was exports. The public deficit was blamed for the recrudescence of inflation and the difficulties the monetary policy encounters. "There was no reason to consider the unemployment situation with optimism". The Public Sector has drawn 560M ptas from the BoS in the first 6 months of 1982 (plus another 100M in the first half of July). The rise in M-3 has already been mentioned in last week's "Public Sector". The Banco Popular spokesman insisted that the Govt. should inform the nation of the realities of the current situation but also underlined the lack of political and social will and decision not only with the Central Administration but also in many sectors of the Spanish society. (Ed. Note: It is perhaps specially discouraging that a man like Suarez whose allergy to economics is widely known, will re-enter home politics. His first statement last Saturday, in which he attacked "the military and certain financial powers", which are in his opinion the main danger for Spanish democracy shows that very little can be expected from his side.)

The CPI of June has risen by 1% is therefore 1.7 points above the ANE-line which triggers off automatic wage increases since the ceiling is 6.09 and the total rise in the first 6 months was 7.8%.

MARKETS AND PRICES

On Sunday the Madrid bread price rose by 11%.
Changes are also expected in ethyl alcohol prices.

LABOUR

The labour situation is becoming more explosive. The fact that the breadwinner in families, if he personally survives, has more and more people to feed will create unexpected tension in the none too distant future if and when unemployment figures begin to grown again once the summer is over. Political tension will aggravate the situation.

The 10 first Spanish enterprises, have lost over 7,000 jobs in the course of the last 12 months according to the magazine *Nueva Empresa* which mentions SEAT with 5867 and ENSIDESA with 1075, HUNOSA with 1301 &c. The conflictivity has also increased in the first 6 months as already pointed out in previous issues, by 23% in the number of strikes, 22.4% in the number of strikers and by nearly 17% in the number of lost working hours. In the week under review the two points of interest were the strikes in Gijon shipyards, and in southern Spain where thousands of workers went on strike to call for more state aid for the unemployed. Several dozen towns were taking part in Andalusia and police arrested 3 Union leaders in the provincial headquarters of Seville. The Govt. earlier had decided not to increase the fund used to pay unemployed farm workers for part-time work and the Civil Governor in Seville even forbade the strike and said he would deal harshly with participants. Conflicts were also reported by the Minera de Andevalo which was particularly affected by the growing doubts about the "Presur" project. In Gijon strikers staged violent demonstrations and did considerable damage to cafeterias, shops and even persons using public means of transport. Strikes spread also to practically all the ships of the Naviera Aznar (in Valencia, Tarragona, Bilbao and Almeria) mainly because the total closing down of Naviera Aznar seems to be a foregone conclusion. It would also seem that the influence which trade unions formerly had over the workers has considerably diminished.

[10 Aug 82 p 11]

[Text]

The quarterly review of the Banco Popular presented by its Secretary Martin is a useful summary, but it can hardly be expected to offer any surprise. Martin emphasizes that the industrial production index of the first quarter shows a fall of 4% below that of the 4th quarter 1981 and of 1.3% below that of the corresponding period 1981. With the exception of the export sector, demand remains weak, though even in export a certain slowing down has been noted.

The immediate outlook for prices is not encouraging either and some of the annual figures show an increase of 16% both over the last 12 months and over the last quarter. It can therefore be assumed that inflation of the year will not be below 15% at its best. The resurgence of inflation can hardly be ascribed to the rise of the dollar rate because the inflation differential has also hardened in comparison with Europe. Now as before, the Banco Popular spokesman sees the basic vice of the Spanish economy in the public sector deficit. The petty reductions of the total figure of the workless in spring 1982 do not seem to indicate any basic change of the unemploy-

ment situation. Sr. Martin then refers to the public sector deficit which for him and many others is the leitmotif of the present situation and to the rise in M-3 both repeatedly mentioned by us in the recent past. The rest of the "Popular" report deals mainly with aspects of the Banco Popular, the situation of its affairs in the Stock Market, etc.

MARKET AND PRICES

The Ministry of Agriculture has imposed fines totalling nearly 30.5m ptas for food fraud. The biggest fines were 10m ptas for El Rodeo in Caceres for adulterating olive oil and many of the fines were for using unauthorized additives, incorrect weight of bread, obstructing the work of inspectors and differences between the declared and the real amount of alcohol in wine.

The GDP growth in the first half of 1982 may be near to 2%, says *Situacion*, one of the magazines published by Banco de Bilbao. The paper admits that the first half of the year had seen a certain revival of industrial production, tourist trade and public services, mainly in the export sector, but also points out that there are certain signs that the tendency may change in the 2nd half of the year: the acceleration of inflation symptoms, the uncertainties in the political sector, further weakening of demand and so on. Anti-inflation measures may again become imperative.

LABOUR

According to the analysis of labour market statistics by Garcia de Blas, 47,700 employers have disappeared between the years 1976 and '81 and probably some 200,000 non-salaried workers ("independientes"). The number of wage earners has fallen by 1.1m from 7.16m to 6.0m. The work-force of the public sector has however increased which would imply that the public sector is the only one which creates new jobs.

Though this is not the most propitious moment for any analysis of the labour situation, it should be noted that the Madrid correspondent of *The Times* said last week: "With unemployment running at about 15% of the work-force and the annual rate of inflation reaching 15% as well, the country may not be actually 'burning' but the social temperature is rising fast. Jobless farm labourers in Andalusia stage hunger strikes and other protests with a monotonous frequency and the closing of factories results in workers' riots in Madrid, Gijon &c.

Thousands of workers in southern Spain struck to call for more state aid for the jobless. Several dozen towns were taking part and several union leaders of the provincial headquarters in Sevilla were arrested. The action was over a government decision not to increase the fund used to pay unemployed farmhands for part-time work. The strike ran aparallel to the uproar in Gijon, on which we reported last week, a strike staged against the Cantabrico and Riera steel plant which had not paid its workers after c declaring a moratorium on debts.

[17 Aug 82 p 11]

[Text]

We have already described the general attitude of the media in the past. Most scribes expect the situation of Spanish economy to worsen further in the next few months, partly because of political conditions at home and partly because of the general economic situation in the world, but with so many correspondents absent and with the general confusion reigning within Spain, the present moment is not opportune to resummarize for the umpteenth time trends and prospects which offer nothing new apart from what is already known.

It is interesting however that the Statistical Institute is preparing a new *consumer price index* (CPI) for 1983 (probably January). It is currently necessary from time to time to determine which goods and services should form the Market basket. The CPI will raise the number of products included in the basket from 380 to 500. Changes in the pattern of consumption, of taste and technology have also to be taken into consideration. Another factor which has to be considered is the regional factor under the various devolution schemes.

The Catalan paper *Fomento de la Produccion* has pointed out that for the first time in many years sale of kitchen equipment and furniture has fallen back and that the sales of soft drinks in the first half of the year has diminished by 15%. Many other elements also point towards a noticeable recession in demand.

We spoke in another chapter of Professor Lasuen's decision to join forces with the Conservatives. Since Lassuen's group had been labelled as "Social Democrat" this countervails the UCD defection of the left-to-the-center Suárez group.

MARKETS AND PRICES

It would seem that the baker strike scheduled to start on August 15th has been called off.

2 multinationals (one of them "Carrefour") and the Granada Cooperative Coviran will take over the hyper market "Hypergrandino" in September, allegedly for 500m ptas.

The Cabinet meeting last Thursday approved a Royal Decree on the *labelling* requirements of canned and tinned food products, especially with regard to the compulsory inclusion of certain data on the label.

LABOUR

The cost of labour force adjustments (Dismissal/redundancy) in 1981 has been assessed at 152M ptas, of which 108.9 have been paid by the employers and 43m by the central administration. Altogether 352,520 have been dismissed, 10% of them by advanced pensioning off.

The trade union UGT (Socialists) told the ABC that they did not favour a renegotiation of the ANE agreement of June 1981. It has however been suggested by the UGT Secr. General, Nicolas Redondo, that the ANE should be abandoned in favour of the former AMI (Acuerdos Marcos Interregionales), i.e. without the presence of the Govt.

[24 Aug 82 p 11]

[Text]

The CPI rose in July by 1.3%, the Statistical Institute says. It is less than the 2% of July 1981 but it keeps the increase of the year (7 months) at 9.2, compared with 8.3% in the corresponding period of 1981. The rise in food prices frustrates Govt. efforts to curb inflation. Annual inflation is running at 15.3% or three percentage points above the target projected at the beginning of the year. FT attributes this to two main factors: the Govt has conceded higher farm gate prices to producers and persisting drought has cut production and boosted prices for fruit and garden produce. The Govt. will now have to discuss with unions and employers the wage increase triggered off by the excessive (over 6.1% for Jan/June) CPI increase. Some price increases will also have to be stalled in view of forthcoming elections.

Spain ranks 2nd with 15.3%, after Italy with 15.9 and before France's 15.3% and Canada's 10.8%. All other industrialised countries are below 10%.

In July the only price decrease was the 12.9% in eggs.

The new prices for pasteurized (with or without homogenization) were published in last week's *StGaz*. Milk not concentrated is priced at between 43 and 48 ptas and concentrated milk at 179-185 according to container.

Drought has driven up the price of large shrimps (langostinos) to 10.000 ptas per kilo, it is reported from Alicante.

LABOUR

The Federation of employers does not favour a general collective wage revision because of its inflationary consequences and it would seem that the Socialist union

(UGT) agrees with the "empresarios". The UGT would prefer to abandon the tripartite Social Contract (ANE) and to negotiate with the employers collective intersectorial agreement and—on the other hand—to negotiate with the Govt. the wage scale for civil servants which in turn could be applied to the rest of the workers.

The month-old dispute at Sherry maker Pedro Domecq (over the reinstatement of the sacked employees) begins to involve other sherry producers and business groups in the Jerez area with numerous solidarity stoppages and sit-ins, papers say.

Madrid's bakers will meet again on the 26th inst. to decide whether the bakeries should call a strike between the 1st and 15th of September.

The strike at Gijon's Cantabrico y Riera continues. So does the strike movement in the Naviera Aznar (see receiverships')

[31 Aug 82 p 10]

[Text]

Between the devil (of ferragosto) and the deep blue sea of the general elections we find ourselves at point zero of any useful information. There is ample movement in the world, as the reader knows but nothing new or useful can be said about the actual moment in Spanish economy. We should however mention the series of 3 articles in *El Pais* on "The Economy and PSOE", written by the PSOE member Abejon.

MARKETS AND PRICES

The Govt. has fixed the ceiling prices for certain seed-oils and the report that the Italian Govt. has given green light to the sale of wine in recipients of cardboard, aluminium and plastic which may be of active interest for Spain.

LABOUR

Little of importance can be reported: Collective wage agreements signed in the first half of 1982 will go up by 10.45% for approx. 4.3m workers in consequence of the sharper CPI rise in the first half of the year.

Vidrieras de Llodio have dismissed 150 workers for a redundancy period of 8 months, the Domecq conflict continues, so does Cantabrico y Riera and Rio Tinto plans to dismiss nearly 1300 workers between Santiago (Galicia) and Rio Tinto (Huelva).

The Madrid bakeries have again threatened a strike if their demands are not met: 14% wage increase, and 1880 hours per year.

ULAGAY CONTINUES OZAL-KAFAOGLU STUDY IN CONTRAST

Istanbul CUMHURIYET in Turkish 9 Aug 82 p 6

["Economic Notes" column by Osman Ulagay: "Support From Inside, Obstruction From Outside?"]

[Text] The "former boss" of the Turkish economy says that the four basic elements of the 24 January [1980] decisions are: 1) Free interest rates; 2) Free currency exchange rates; 3) Export incentives; and 4) Liberal imports.

Professor Bela Belassa, a World Bank economist closely interested in Turkey, lists the five basic elements of the "reform" policy which was implemented in Turkey for the past 2½ years and which was received with approval by the outside world as: 1) The flexible exchange rate policy; 2) Export incentives; 3) Liberal imports; 4) Freeing of price controls; and 5) Free interest rates. Professor Belassa says that if there are reversals in or deviations from these five elements, the results that may ensue can be worrisome.

Peter Bull, a Bank of England official who is also closely familiar with Turkey, says that the Kastelli incident and Ozal's resignation have caused the positive impressions being formed in Western capitals and among financial circles about Turkey to change to hesitation and an attitude of "wait and see." In an exclusive discussion with us, Bull said: "To tell the truth, I also feel hesitant. [Minister of Finance Adnan Baser] Kafaoglu's initial statements are positive, but he needs time, at the minimum, to create the confidence Ozal had achieved." Bull also says that now there is a higher likelihood of reversing Ozal's policies and makes no secret that the West is worried about the possibility that the "underlying philosophy" of these policies may be changed. Similar concerns were uttered by German Professor Gumpel, who is regularly consulted about assistance to Turkey, during his conversation with our colleague, Meral Tamer.

When what Ozal said in Side and what three foreigners who have been closely monitoring the West's posture toward Turkey said in the Sheraton Hotel are combined, one is reminded of the confidence and respect the Ozal policies have established in the West in general and in Western financial circles in particular. It is once again evident that Ozal, World Bank consultants, foreign bankers and individuals who can influence foreign aid decisions endorse a common philosophy and speak a common language. It is a fact that the foreigners do not think that Ozal is "an electrical engineer who does know economics" and that they are concerned about

the fact that this man, who used to have single-handed control over the reins of the Turkish economy and whose language they could understand, now sits in Side instead of Ankara.

The problems Ozal's policies caused to broad segments of the Turkish society and the eventual crisis that set in in the banking and brokerage sector apparently do not change this fact. All these are trivial details for the foreigners whom we quoted above and who are in Turkey to attend a seminar organized by MEBAN [Securities Banking and Finance Corporation], an institution which went through very critical periods in this chaos. According to these foreigners all these are details that can be corrected without changing the underlying philosophy of Ozal's policies and without compromising from the fundamental programs aimed at opening up the Turkish economy to the outside world and fostering free trade. The fact that currency exchange differentials have added a burden of 650 billion Turkish liras to the Turkish economy, as Dr Nahit Tore stated during this speech at the seminar; the fact the sharp deterioration in foreign trade in the last 2 years has wiped out the growth in national income, the fact that many firms in many fields are on the verge of collapse, the fact that factories are closing down and especially the fact that the Turkish people have been forced to make more and more sacrifices and permitted to lose their savings to brokers and others before the eyes of government officials, as Adnan Baser Kafaoglu pointed out, are not very significant for foreign observers.

What is significant for them? For them it is important that Turkey pay its debts on time, that it continue to transfer its resources abroad by a deteriorating foreign trade balance, that it enforce the stability program in a stricter manner by forcing the people to make even more sacrifices and that it complete the transition to a free-market economy by liberalizing its foreign trade regime. If, in this process, private firms are having difficulties one after the other, there is a solution. According to Professor Balassa, who is of Hungarian origin, the system that puts even private savings at the disposal of the State Economic Enterprises must be completely overhauled, public current expenditures and public investments must be reduced, resources must be transferred to the private sector, the government's share in the financial system must be reduced, interest rates on credit must be reduced without lowering the interest rates on deposits and the private sector must be rescued from having to borrow at 25-percent real interest rates but any efforts to "rescue" firms on an individual basis must be avoided, and those threatened with collapse must be allowed to collapse.

The fact that there will be conflicts between what the Honorable Kafaoglu will want to do taking into account the timetable for Turkey's transition to democracy and the expectations of the outside world, which is in full agreement with Ozal, and the fact that economic policies which will find support at home will not find the same level of support abroad are not very surprising. We must brace ourselves for the negative reaction of foreign financial circles which will find before them a Kafaoglu who will pay attention to the indigenous demands of Turkey before demands from abroad instead of an Ozal who would be able to say: "We are giving them more than what they want." It is very important that a coherent posture be determined against the reaction of these circles which seem to have an allergy for terms like "plan" and "bureaucracy" and that the mistake of vacillating between the postures of "compromise" and "defiance," observed in the past, be avoided.

KAFAOGLU RESPONDS TO OZAL'S CRITICISM

Istanbul HURRIYET in Turkish 9 Aug 82 p 4

[Text] Ankara--Responding to criticism leveled by former Deputy Prime Minister Turgut Ozal, Minister of Finance Adnan Baser Kafaoglu said: "We inherited a truly heavy burden. We are trying to overcome it." In reply to a question concerning "propaganda about the success of Ozal's policies," Kafaoglu said: "If they were so successful, why did the economic team change?"

Stating that a report is being prepared to determine the true state of the economy on 15 July 1982, the day Kafaoglu took over as Minister of Finance, Kafaoglu said: "I will publicize the report as soon as it is completed. The true state of the economy will be seen when the report is published."

Noting that an increased money emission rate will inevitably cause a rise in inflation, Kafaoglu said: "It appears that the targeted 25-percent inflation rate will not be possible to achieve this year." Kafaoglu continued:

"In its latest study, the IMF estimated that the inflation rate in Turkey this year will be around 30.6 percent. Even that would be considered a success. But, at this point, it is naturally impossible to say anything about what exactly will happen."

On the issue of faulty planning in the past, Kafaoglu said:

"Before we took office, it was thought that the government's grain purchase quotas for this year could be filled by extending a loan of 22.5 billion Turkish liras to the Soil Products Office for grain purchases. Consequently, it was decided to keep all public loans within limits to be determined by this action. It was also announced that the whole grain quota would be purchased for cash, even though problems were encountered in buying for cash the previous year.

"The grain purchases began on 3 July. By 31 July, we had paid out 30 billion Turkish liras even though we had only bought half the quota. In other words, we had already exceeded the originally planned amount by 7.5 billion Turkish liras. It is now evident that filling the whole quota will cost 60 billion Turkish liras."

Stating that payments will continue so that the producers will get what they have been promised, Kafaoglu said: "If a producer who delivered 10 metric tons of wheat

yesterday got paid 2 million Turkish liras in cash, it would not be fair not to pay anything to a producer who delivers wheat worth 50,000 Turkish liras today. We cannot do that. In other words we are not saying: 'We have stopped cash payments; we will pay everything in installments from now on.'"

Kafaoglu was asked: "If we consider that the high money emission rate began exactly one month before you took office, will the price increases that will come in September or October be entirely the result of the faulty monetary policy planning before you took office?" Kafaoglu replied:

"That is true. A mistake has been made in the payments schedule. This year's wheat production exceeded last year's harvest by 2 million metric tons. In reality, this is a welcome development. But the Soil Products Office cannot buy the whole crop at 21 Turkish liras. In the past, it was thought that the private sector would buy most of the crop. So, 22.5 billion Turkish liras were allocated for the amount that the Soil Products Office would buy. But the merchants cannot get loans because the banks have reached their lending limits. So, there are no purchasers other than the Soil Products Office. Consequently, the Soil Products Office has to shoulder a very heavy burden."

On the issue of changes brought so far with respect to the monetary policies of the past, Kafaoglu said:

"Last year, the budget was administered as follows: Expenditures were made in accordance with the itemized assessments made by the budget. In other words, payments were slowed down. Unfunded expenditures were thus prevented. But the budget [revenue] was not sufficient for all the expenditures. This, naturally, slowed down investments. This is what was done in the past. As revenue came in, wages and salaries were paid. The rest of the money was paid to contractors working for the government. But, in the process, a lot of clamor was heard. In effect, it was impossible to spend any money not covered by revenues. Consequently, we prepared a rational current payments plan, and, by monitoring the influx of revenue from every channel, we enabled the contractors to get their money."

In reply to a question about how contractors did their work while having difficulties in getting their money from the government, Kafaoglu said:

"The contractors were not only unable to get their money from the government for extended periods, but also they could not get any money from other sources, such as banks. Some of them were even forced to get short-term loans from Kastelli in order not to dismantle their construction sites. These loans came at a very high cost, but they reduced the burden on the government. Now, since even this expensive source of money does not exist, they want the government to pay their fees, and that is their right."

9588

CSO: 4654/421

NEW 'BATTLE' OVER CYPRUS SEEN IN UN

Athens ELEVTHEROTYPIA in Greek 26 Aug 82 p 4

[Article by Fanis Konstandinidis]

[Text] The two meetings in the new round of intercommunal talks have shown yet again that it is futile to expect positive results from the intercommunal dialogue and, even more, to expect a solution to the Cyprus problem. This is, very simply, because the Turks have made it absolutely clear that they have no intention or inclination to retreat from their well-known positions. The Turkish Cypriot leader, Denktash, in his new statements, reiterated that "the desire of the Turks is to live on their own land, in their own zone, under their own government in the frameworks of a federal government."

The Turks' positions and viewpoints on Cyprus are clear. The Turks are calling for the existence of two separate states, two zones, with a separate economy, with borders, with a separate air space and continental shelf and with the right to conclude separate defensive, trade and other agreements. And yet Denktash calls all these separations a "federal solution," not "confederated." Nevertheless, the talks are continuing. And, as the Greek Cypriot participant, Mavrommatis, stated, the talks will be continued for another two months, that is until mid-October, when the Cypriot appeal to the United Nations will be made and preparation will begin for the new "battle" over Cyprus before the international organization. The Cypriot Government has already prepared the text of the appeal which it sent to Athens for study and formulation of comments and opinions.

What the final text of the appeal will be is not known. According to certain information, however, the Cypriot Government will seek in its appeal the following, among other things:

1. Determination of a time chart for implementing UN resolutions and decisions for Cyprus. Included in these resolutions is a provision for departure of Turkish troops from the island.
2. Appointment of a special committee which will follow the course of the intercommunal dialogue, and developments in the Cyprus problem in general, and will assist the UN secretary general in solving the problem.

3. Convocation of an international conference, under the UN aegis, which will apply itself to developments in the Cyprus problem.

4. Imposition of sanctions against Turkey, in case the Turkish side again refuses to implement the UN's decisions and resolutions.

Official Cypriot circles in Nicosia believe that--with the Greek Government's aid and assistance--Cyprus will again this year successfully wage the "battle" in the United Nations and will win a good resolution. In any case, no one is naive enough to believe that, with the new resolution Cyprus will obtain in the United Nations, it will solve its problem or that the Cyprus problem will enter the road to solution or that the Cypriot people's suffering will be shortened.

However, with the appeal to the United Nations, the Cyprus problem is being promoted internationally once more; Turkey is being stigmatized for occupying foreign soil and disregarding UN resolutions; the Cyprus problem is emerging from the narrow frameworks of the fruitless intercommunal dialogue; and foreign governments--particularly those which seem indifferent to the tragedies of small peoples or even contribute to perpetuating the tragedy and become accessories to and promoters of the human tragedy and destruction--are reminded that in little Cyprus the pain and destruction which Attila caused in the summer of 1974 is continuing and at the same time the new sultans are threatening new faits accomplis and new advances at the expense of the tormented island.

Forthcoming developments in the Cyprus problem are centered in the discussion of the problem at the United Nations. The forecasts and estimations are that Cyprus will secure a new resolution--despite the intense opposition of the Turks and several western countries.

Even so, the new resolution will not be implemented in order for 1982 to pass without any sensational developments, but with some hopes that in 1983 some progress will be noted since, in the meantime, the famous presidential elections will be carried out. And that--at least it is hoped--the greivous disintegration of Greek hellenism and its leadership will stop and thus the new Cypriot government will wage, decisively and courageously with the Greek Government, the new tough battle for Cyprus' freedom. And, moreover, that the Cypriot people will regain its struggling disposition and be persuaded that it has a duty, in the end, to assume its own responsibilities and rely upon its own forces for its own freedom and salvation. The tragedy in Lebanon should persuade everyone how indifferent and unscrupulous mankind is to small peoples and their national affairs.

9247

CSO: 4621/433

RALLIS SAYS NO PASOK PROGRAM BEING ENFORCED

Athens AKROPOLIS in Greek 29 Aug 82 p 16

[Text] Former Prime Minister Rallis called on Mr. Papandreu to decisively abandon his intention to implement the socialist transformation if he wants private citizens' confidence in the government's economic policy to be restored.

The related statements made by Rallis on 28 August are as follows:

"The prime minister, speaking in Patras in October 1980, promised that, if the people gave him their votes, he had ready a 100-day program which would overturn the bad--as he said then--economic situation and would lead to a recovery, decrease in inflation and increase in the national income.

"It has been 300 days since the elections; the economic situation has worsened and no program has been implemented thus far. Recent government announcements base hopes for a future recovery on new investments which will increase the Greek economy's productivity. The government did not admit, however, that the funds in currency necessary for investments can be found only because we have become a member of EEC. We will have a net exchange earning of about 600 million dollars from the European Community this year, while this sum will exceed one billion dollars next year. To these sums must be added the loans which the European bank can give us at favorable terms. Our participation in EEC ensures, moreover, that we will sell an increased number of Greek products on the great European market, with preferential terms compared to third countries.

"Government announcements have not yet explained to us how the confidence of private citizens, which has been shaken by the fickle policy of the last 10 months, will be restored. If confidence is not restored, there is no possibility of serious investments being made in our country. And confidence cannot be restored if the government does not categorically state that it is abandoning forever its intention to implement the socialist transformation. Those governing must understand that the statements about delaying implementation of the socialist experiment shake the private citizens' confidence even more."

PASOK FOREIGN POLICY SEEN HARMFUL, CLUMSY

Athens EPIKAIRA in Greek 19 Aug 82 p 13

[Excerpt] While PASOK has generally regarded as having made--especially in its foreign policies--the most impressive attempts to revise its earlier extreme positions, nevertheless, there are several moves especially in secondary issues which may be considered useless or even harmful to the national interests. This characterization is particularly important because even Papandreou's opponents do not accuse the government of erroneous policies but of clumsy handling or hasty emotional reactions to issues which require thorough thinking, cool reasoning and realism.

A most characteristic and most recent illustration is the attitude of the Greek government on the question of Lebanon. It is argued that Athens limited its actions to a tremendous propaganda campaign in the country in favor of the Palestinians and against Israel. From a practical point of view, with the exception of the Greek request for a meeting of the EEC Council of Foreign Ministers at the beginning of the crisis, the initiatives of the Greek government were over-advertized too early and in an undiplomatic way so that they remained intentions or their significance was diminished because of the excessive tone in their promotion.

Disturbing the Equilibrium

Our country, it is argued by those who comment on the government's attitude, had no reason to promote domestically "an anti-Israeli hysteria" to prove its pro-Arab sentiments. Greece, regardless of which government was in power, always followed a pro-Arab policy and its traditional pro-Arabism could not be suspected of anti-semitic origins. Moreover, the previous governments paid considerable attention to inter-Arab disagreements, pursuing a balanced development of our relations which could not be promoted in a unified manner based on the erroneous assumption of a united "Arab nation."

Inept Handling

It is argued that the PASOK government, although it followed the general direction of the pro-Arab policy of its predecessors, in its specific actions did not apply the "necessary balance" in offering its friendship. Its involvement in the Iran-Iraq conflict, the invitation and the cancellation of the Qadhafi visit, the Arafat

visit and the excessive expectations it inspired among the Palestinians, and finally the Greek gestures during the Lebanon crisis, although without any payoff, contributed to a corresponding deterioration of the Greek-Israeli relations and contributed only "to transforming the friendship of certain countries to mistrust and mistrust to hostility."

At this point, it is underlined that with the start of the crisis in Lebanon Greece was considered in the West and also in the Middle East as the most suitable European country which could represent EEC the most effectively as a mediator in the dispute.

But the one-sided tactic in favor of the Palestinians followed by Athens swiftly cut down this prospect, while many believe that after the end of the crisis Greece will not find itself with an old, strong position among the Arabs.

Interpretations

To the extent these observations are correct, they lead to the question: Why did the Greek government follow a similar tactic in this specific issue, as in some other cases?

An initial explanation is that the PASOK diplomatic moves were directed "more to domestic public opinion than abroad." More specifically, it is argued by diplomatic circles that the spectacular actions and the excessive demonstrations in our country were possibly designed to cover in the eyes of PASOK's left wing and lack of substance and effectiveness of the party's declared policies abroad. Another explanation is that the decisions for specific diplomatic moves are reached without consultation with the diplomats; the government continues to treat a large portion of them with prejudice and even mistrust. Finally, a third explanation sees PASOK as a captive of "eclectic ideological kinships" which considerably limit the spectrum of the "multi-dimensional" Greek policy, but also the ability to reach with flexibility the new conditions that develop each time.

7520

CSO: 4621/496

ND LOST BATTLES SEEN INCREASING

Athens I AVGI in Greek 29 Aug 82 p 3

[Text] We have recently lived through a series of major political events, each of which has led, in its own way, to a corresponding political defeat of New Democracy and a further intensification of oppositions in the heart of the party. We point out: the discussion in the Chamber of Deputies concerning recognition of the National Resistance; the battle over the wholesalers; and the new outbreak of criticism in the press. Let us add to these the debate which took place concerning the impending negotiations on the bases--the great issue at the end of the campaign in view of municipal and community elections.

The positions taken by the ND leadership, its choices, and the way it handled things were so contrary to our people's feeling, and so far from the reality of our political life, that they offered new sensational proof of not only the political retardation and intellectual enchainment of the present ND leadership, but also the lethargic condition to which the whole party has come.

Kicking at National Sentiment

The great debate in the Chamber about the National Resistance was, unquestionably, one of the great hours in the entire history of the Greek parliament since the end of the Second World War. This debate, which gave our people a magnificent symbol of national pride and an impressive confirmation of the nation's unity around esteem for our history, ended--or rather began--with a truly humiliating defeat of the ND leader.

Mr. Averof, a stranger to the spirit of exaltation which had spread inside and outside the Chamber, took the floor to deliver a speech that was without national feeling or any inspiration, with an astounding feebleness and verbosity which in its totality had a literally miserable effect. It had one goal only: to slander what is the most beautiful thing in the last two centuries of our nation's history next to the 1821 uprising.

The solution of withdrawing from the Chamber had been chosen as a means to avert expression of the disagreements which prevailed--and prevail today--in the ND Parliamentary Group on the issue of recognizing the National Resistance. It is known that this solution had been proposed originally by a group of deputies who believed that withdrawal would be a "more moderate" solution than

voting against the law--a law which, they understood, reflects the feelings of the overwhelming majority of our people, including the broad strata following ND.

It was undoubtedly a choice bad in itself, despite all calculations. But Mr. Averof's treatment of the issue was so wild and clumsy that the result was a spectacular political catastrophe. Averof led ND to obvious isolation from the entire remainder of the political world and the national body. P. Kanellopoulos' truly historic speech showed the extent of the isolation to which the party of the traditional right has been led by its current leadership.

The result was that the senile passion of the military-political group around Averof was certainly satisfied, but also the action of centrifugal forces was intensified within the heart of the Parliamentary Group and even more among ND adherents. Mr. Pendaris' open demonstration against this position, the "hushed up" reaction of Mitsotakis who is smart enough to calculate its political cost and, finally, the intense displeasure expressed by the Andriano-poulos, Papapolitis, Souflias, etc. group are only the visible tip of the iceberg. The effects from the position held by ND on the issue of recognizing the National Resistance, and from the overwhelming political defeat it suffered, go far deeper. And they will surely be shown far more painful for Mr. Averof from now on.

There cannot be any reasonable doubt that the reaction to such politics will become even more intense today when the ND leadership under Averof, continuing the same line, proceeds to a new provocative, bellicose demonstration on Mount Grammos and Vitsi and to openly embracing all the neofascist organizations and most frenzied extreme-right centers in the country.

An analogous position--with an analogous result--was chosen by the ND leadership in the battle waged recently against wholesalers in the agricultural products market. The ND Parliamentary Group alined itself against measures to protect the market and, therefore, against the people's interests counter to the wholesalers' coercive tactics. And thus they proved, on yet another opportunity, that every time, at every clash between the interests of the people and of those exploiting the people, New Democracy can only become the expresser of the most anti-popular interests and forces.

Anxiety of Municipal Elections

The oppositions which for some time have been an "endemic phenomenon" in the heart of ND became newly emphasized with the start of the municipal elections campaign. In light of this battle--which many things show could end with a new defeat perhaps more painful than the parliamentary elections last October--all the sides and cliques in ND showed a tendency to effect a "moratorium" on disputes, to temporarily lay aside internal differences so as to obtain the best possible result in the municipal elections.

But the actual result of this effort was that ballots were concocted which are a mosaic of forces, from the most moderate to the most frenzied and thoroughly juntist right, and clearly show the very deep identity crisis which ND has reached just three years after the retirement of its founder and expresser of

the philosophy of "radical liberalism." And, of course, a new army of discontents, who remained off of the candidate lists, was created.

In addition, with all the anguished effort to maintain the party's cohesiveness at any cost until the municipal elections, the oppositions not only remain unbridgeable, but also are surfacing in various forms. One characteristic demonstration of these oppositions was the fuss a few days ago, with Mr. Mitsotakis' intervention on the bases negotiations issue. With his statements last Sunday, 22 August, Mitsotakis tried to come at the PASOK government "from the left," charging that it has already pulled back from the point to which ND had pushed the Greek positions during the 1981 negotiations and that it is "retreating at the beginning of negotiations" with the United States.

Mr. Averof's immediate reaction to Mitsotakis' statements--"I will report ND's positions when I deem it expedient"--made clear how the current ND leader interpreted his implacable associate. Averof considered the Mitsotakis statement an attempt to appear in command; he considered it absolutely necessary to counteract at once.

The Averof-Mitsotakis opposition is certainly not the only one and is probably not the main opposition in the heart of ND. Still unbridgeable is the opposition between Averof and Rallis who, refraining from an open confrontation, is nevertheless biding his time to wage his "battle." The opposition between Averof and the "group of economists" around Mr. Boutos remains open. So does the opposition between the Averof group and Stefanopoulos, Evert, Giatrakos, Sofoulis, Livanos, etc.; the "chorus of old men"--Averof, Papakonstandinou, Stamatis, etc.--has put them in some way on the outside, but they are maintaining a position of anticipation, waiting for the moment when they will claim the "biologic"--though not this only--change in the party's leadership.

Below the surface of the present "moratorium," a volcano of oppositions is boiling which is ready to explode and which--all things show--will explode the day after the municipal elections.

The Bottom of the Crisis

Behind all these oppositions, at the bottom of the crisis in which ND is floundering, is the anguished realization that this party is not currently an "alternative solution" to the PASOK government; that whatever difficulties this government might confront, and as seriously as it may be deteriorated by power, New Democracy is not going to "collect" from this deterioration.

Thoughtful circles inside and outside ND perceive that the problem to be confronted is not a biologic renewal of the leadership of the party of the right. ND's gerontocracy simply personifies the more general decline which the entire world of the right in Greece is going through and it seems too feeble to offer any vision whatsoever to the people. It would unquestionably be a mistake for us to believe that the right "has died," or that it has stopped playing any role in shaping our country's political life. It is clear, however, that, with Averof at the head and the ideology of Mount Grammos and Vitsi as a political standard, the role it can play can no longer be more than marginal.

And as long as there is a delay in changing both the leadership and its ideology and political philosophy, its weight in political life will decrease steadily.

The problem is: how many of the forces who understand these simple truths have sufficiently clear perceptions; if they have enough political daring to advance; and if they are strong enough to impose the "revolutionary change" New Democracy needs to be able to take hold of a new position on the political race-course, and do this before it is too late, ND's appearances in recent battles, particularly in the great battle over the National Resistance, do not thus far justify very bold forecasts. The forces of the so-called "enlightened" or "progressive" right have lost an opportunity of an historic scale to change the historic lot of their party.

9247

CSO: 4621/434

PAPANDREOU ON 'TO VIMA' CLOSING, PRESS ISSUE

Athens TA NEA in Greek 23 Aug 82 p 7

[Excerpts] The announcement that TO VIMA is suspending its weekday edition caused statements on Saturday by political personalities and comments in various newspapers. Premier Andreas G. Papandreou is among those who gave statements.

A. Papandreou [Statement]

With regard to the question of the press, Premier Andreas Papandreou said:

"I consider it strange, indeed, that the closing of ELEVTHEROS KOSMOS and TO VIMA should be tied to a policy of our government. Indeed I feel very strange because we, that is, the government, had the courage to turn into a package 1.7 billion drachmas in newspaper debts to banks, giving a 15-year payout period with a favorable interest rate of 14 percent and a 3-year grace period. This was a major action by the social community as a whole which in effect did not cancel the debt but rearranged an obligation of tremendous dimensions.

"Now, to the question of dealing with the need for operational capital. Of course, there are problems in this sector. But as you know, according to a recent study by a journalist, a newspaper to be viable needs a daily circulation of 70 to 80,000 copies with 30 percent of its space in advertising. With regard to TV commercials we have already taken certain measures; we reduced the time devoted to commercials.

"I cannot say that I especially feel particularly sensitive about TO VIMA because 2 weeks ago the Lambrakis organization received money for TO VIMA, including, moreover, operational capital. I find it difficult to understand all this commotion.

"Is there any criterion saying that society has to support this newspaper? If so, why this and not 25 other newspapers? Well, I find this story very strange and I truly feel that the government is unjustly treated in the case of a sector in which the government has showed great courage and sensitivity.

"Politically we don't care about the ideology of any newspaper. Our responsibility is toward the press as a whole. I must tell you that there will be a press law which will close hermetically the road to monopolies. There are not going to be any foreign interests, etc. The Greek citizen will know who is the publisher of a newspaper, who finances the newspaper. This will be known and there will also be a restriction to morning, afternoon and Sunday newspapers. Nothing beyond that."

Question: An effort is underway to give this issue a different political dimension.

Answer: I see that.

Question: Part of the press argues that PASOK is trying to give a partisan content to television to bring under PASOK's control the sector of public information.

Answer: If we were speaking about another country this could probably be possible. But we took over television which was clearly partisan. Do I need to remind you that I could not appear on TV? And that whenever we had an informative debate in the Chamber of Deputies prior to the regular agenda, we had to fight to get a few extra minutes on TV? By contrast we have told Averof that he can speak whenever he wants. We put no restrictions. If Florakis wants to speak he can speak. Of course, we have the issue of parties which are not represented in the chamber, and this creates a problem but I imagine we will deal with it. But can there be any comparison between television under PASOK and the television in the past? No comparison. Personally I feel sorry at seeing newspapers go because I, too, believe in the need for many voices. But it's not up to me. And it is not primarily my responsibility.

The Loans

Question: If a moment comes when the newspapers need financial aid from the government, as happens abroad, what will you do?

Answer: I said that with regard to photosynthesis, with regard to the technological change, we are ready to help. This is a great contribution, not a secondary issue. We support technological change. If we refer to a temporary crisis, we will try to see how we can help. But if we are going to have deficits of so many billions then we must stop and think if this is the sound social way to spend resources. Then there is the question: Whom shall we favor? The existing newspapers or the new ones? Now the morning newspapers in Greece suffer terribly. They suffer by nature because they come out just about the same time as the afternoon newspapers.

Question: What is the future now of the press and of the journalists?

Answer: The press must think what to propose, but not each newspaper separately. All the publishers should come together and make a proposal. We will sit down and listen.

This is a complex subject and I cannot understand why it has not been understood in depth and correctly by the press. This is a press problem. In any event, this government is occupied much more with the question of the press.

7520

CSO: 4621/497

MOVEMENT TO AID PUBLICATION OF PARTISAN PRESS

Measures Announced

Athens TA NEA in Greek 24 Aug 82 pp 1, 3

[Text] The government will support technically and financially the periodic publication of partisan newspapers to safeguard--as it was stated--political pluralism. In a second stage the government will extend the measure to cover similar publications by municipalities and communities, farm cooperatives, labor unions, etc.

This was decided by Premier Papandreu who already gave instructions to the Under-ministry of the Press to move immediately toward a study of the subject. As stated yesterday by Deputy Minister of Press D. Maroudas--who "does not think" that the measure will aggravate the crisis of the press--the study will deal with the assumption by the government of certain arrangements for the publication of weekly newspapers belonging to parties.

Replying to questions by political reporters, he explained that:

"The measure will cover political parties that have elected even a single deputy or Eurodeputy, but this publishing advantage will not be given to organizations that may emerge in the Chamber of Deputies (groups of deputies or parties created by deputies who were elected under the banner of other parties)."

The aim of this government with this measure is "to assure the pluralism of ideas and political theses of all political parties" and for this reason it is considered that 12 pages will be sufficient, published with the new technology (photosynthesis) at low cost "so that they can be sold at a low price."

Maroudas also explained that there will be contacts with the political parties to hear their views and that in any event the publishing agency to be created by the government will not intervene at all in the content of the partisan newspapers or in the salaries of the staff they will hire.

The Crisis of the Press

Responding to questions, Maroudas said that this measure is not related to the crisis of the press which is to be dealt with in ways now under study.

By way of illustration, he said that today in session (for the second time) is the committee of specialized banking employees to examine ways to help the national newspapers to move on to the new technology.

At the same time, he announced that the goal of the government is to limit by 30 percent the advertisements broadcast by television in order to increase the portion of advertisement going to the newspapers. He even gave numbers about the Greek Radio and Television which shows a reduction of 30 percent between 1981 and 1982. He agreed, however, that the price of TV advertising was increased by 25 to 30 percent in 1982 and that it has not been determined if and to what extent has been reduced the demand for TV advertising time by advertiser in 1982.

Finally, he announced that the auditioning of newspapers by the Ministry of Finance, which had been decided upon, has been formally concluded and essentially is at an end and that in 2 or 3 weeks the inspectors will have their reports submitted.

Opposition Expressed

Athens I KATHIMERINI in Greek 24 Aug 82 p 1

/Text/ The crisis which has been simmering lately and which has broken out now in the Athenian press holds varied surprises. One came last night from the side of the government as its spokesman revealed an impressive plan of governmental preparedness, which provides for the immediate aid of parties to publish weekly partisan newspapers!

Even though the phenomenon is almost tragic--to see the government dealing on one side with the problem of daily newspapers with apathy while on the other side it gives first priority to the (nonexistent) problem of partisan newspapers--nevertheless, there is a third...amusing side in this strange affair. The government accuses the press (see statement by the premier) of not facing up to its problem on a sound basis while the government, which since Saturday has been claiming that it sees the problem correctly, is urgently contemplating plenty about partisan newspapers...

This readymade discovery of the development of a partisan press inside the Chamber of Deputies and the Europarlament has other repercussions. It provides positive governmental aid and for the issue of newspapers by...farm cooperatives, municipalities, communities, labor unions, etc.

Without overlooking the seriousness of the danger inherent in this novelty against the many-sided information of the Greek citizen and the institutional functioning of democracy, we would like to see its humorous side...because it is a funny discovery in reality, especially when assessed in the context of the current dry season of theatrical reviews.

In any event, the only aspect we can take seriously is this: This novelty speeds up and intensifies the moment of truth before the publishers and journalists who truly serve the function of the fourth estate. For the true functionaries of the press, it cannot but strengthen their decision to continue their high mission in spite of obstacles and adverse conditions: to inform public opinion objectively and without bias.

IMPORTANCE OF, GREEK NEED FOR, BASES SEEN INVERSELY RELATED

Athens AKROPOLIS in Greek 7 Aug 82 p 7

[Excerpts] The government announced that it is drafting the Greek proposals on the question of American bases and that the negotiations for the renewal of the agreements will begin in August. In any event, it appears that the government has not yet reached clear and specific positions because this, as so many other subjects, is possessed of uncertainty, due in this case as well to the conflict between the (dogmatic) "visions" and the (harsh) "reality." The visions irresponsibly fed the preelectoral sloganeering while the latter fed its post-electoral retreats. But the government does not want to disassociate itself from the former and for this reason its entire course is hesitant, vacillatory, contradictory and inconsistent. This is a general observation which applies also to the serious issues of the bases. Before the elections PASOK's position was categorical: The American bases must leave. "Here and now."

Post-election Realities

After the election, the position of PASOK which became the government (or rather of Papandreou who became premier, minister of defense and the virtual minister of foreign affairs) changed. It became approximately this: The bases will remain with some changes in their administration and operations system, but as a temporary arrangement for an indefinite period. The agreement will be renewed every year, with the option on the Greek side of renegotiating it.

Basic Reality

Regardless of the above, whenever we speak about the bases we must start with this reality. The bases of the type used by the U.S. in our country are becoming less and less useful with every passing day. They are bypassed by the technological progress. Today the U.S. does not need bases abroad to observe (by aircraft or radar) the military moves in the interior of the Soviet empire. This task is performed by space satellites in an excellent, more effective and less risky manner. Neither do [the Americans] need the bases to neutralize the Soviet missiles in the event they are launched. With [spaceship] "Columbia" they can do so at the moment of takeoff. Neither do they need the bases to hit any targets anywhere. The intercontinental missiles can hit any target from the bases on American soil or from the nuclear submarines.

Andreas' Calculations

The role of the bases, therefore, is reduced constantly. It may be that Papandreu is thinking about that when he says that he will abolish the bases "at some point." In other words, he means that the Americans themselves will decide to abolish them "at some point" because they will consider the expenses to keep them unnecessary.

Who Needs the Bases?

Somebody, however, continues to need the bases; and they are not the Americans. It is us--the others--because the presence of the bases on our soil constitutes a further guarantee for our security. They safeguard our country against Soviet expansionism because the latter will not dare attack a country having American bases since such an attack would mean war with the U.S. Afghanistan was "non-aligned" and it suffered a Soviet invasion. If there had been American bases there the Russians would have not entered.

Conclusion

The Americans will need the bases less and less as time goes on, while their usefulness for us will remain and may even increase.

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CSO: 4621/485

EDITORIAL REMINDS GOVERNMENT OF U.S. BASES WITHDRAWAL

Athens RIZOSPASTIS in Greek 27 Aug 82 p 2

[Text] Mr. Mitsotakis seems to have chosen the tack of challenging public sentiment to remain in the limelight and continue to play his game of leader in ND. Otherwise, there is no explanation for his criticism from the "left" of the government and his statements concerning "underbid" retreats when, in a year's time, the people have not forgotten the truly underbid commitments assumed by him and his faction when they begged the Americans to conclude an agreement on the bases. It is not strange, however, that, for their plans to materialize, Mitsotakis and the Right are counting on the tactics followed thus far by the government on this leading issue, tactics founded on a nearly utter lack of informing the people. At any rate, what has become known about the government's intentions leads to the conclusion that it is initiating no new negotiating logic essentially contrary to that of the Right. As a result, the latter is spreading out its political challenges, considering that the game will be played on its own territory. For this reason, it is necessary for the government to change its tactics in informing the people about the bases issue, and, at every step of the negotiations, to keep in mind its programmatic proclamations on removal of the bases which were sanctioned triumphantly in the 18 October elections and continue to be the standard of the movement for real change.

9247

CS0: 4621/436

EDITORIAL REITERATES POLICY ON U.S. BASES

Athens RIZOSPASTIS in Greek 29 Aug 82 p 6

[Text] At this time, many things are being said and written, around the negotiations, about renewal of the bases agreement.

Irregardless of the various rumors and contradictory statements made by officials, the Greek people believe that the negotiations will be successful only if they end in a solid arrangement for decisively terminating the regime of the bases.

That which has definite significance here for the nature of the negotiations is whether there will be a clear time chart for completely and decisively abolishing the bases, not some vague date for expiration of the agreement which will leave room for its renewal with new terms.

What, in the end, will be the political basis for the discussions? The time chart for the definite removal of the bases, or some unachievable "control," some obscure retouching of the "bases' mission" and some technical weapons and economic "exchanges" which, as the experience of 30 years has shown, always end up at our expense?

Thus far, the government has not answered this critical question, has not informed the people. In the meantime, authoritative pro-government printed matter assures Greeks, in a triumphant tone, that the government will "succeed" in having the new bases agreement last 12 to 15 years instead of the 20 years demanded by the Americans; be reviewed every three years instead of the five urged by the Americans; and include significant grants of weapons systems and economic aid instead of the clearly smaller grants offered by the Americans.

At the same time, our people's anti-imperialistic demands, which PASOK had included, to a degree, in its official proclamations, are being undermined from various sides.

And there is something even more characteristic: In this critical period of "tough" negotiation with the Americans, preparations for new works in the areas of the bases and for building new installations are not only continuing, they are being intensified.

Persistent information shows that there is a real frenzy of research, biddings and competitions, undertaking and organization of programs, and even employing of personnel, for new colossal works at the Ellinikon base, in the area of Syros and Kymi, in the area of Aliverion, and many other parts of Greece.

Our people and our enlistees are asking on their own: How is it consistent that, at the same time we are negotiating, the other side--away from the diplomatic table and independent of the outcome of the "tough" discussions--is proceeding, without turning a hair, in expanding the bases, as if they are anticipating total imposition of their viewpoints? The KKE and our broad anti-imperialist movement are certainly not demanding everything right now. But they do not accept the possibility of the negotiations functioning as a smoke-screen for embellishment and perpetuation of Americanocracy. For this reason, they are demanding an immediate end to every type of works and planning for new American installations in our country; and, further, that operation of the bases be suspended for the duration of the negotiations; and, most principally, that the entire negotiations procedure be put from the beginning in the frameworks of a time chart for the complete and definite abolishment of the bases, which will not have to exceed the current Chamber's term of service.

The first necessary measures can be implemented immediately within these frameworks. Among them, in the first line, should be removal of every kind of nuclear weapons and plants, rearrangement of the armed forces, diversification of armament sources, exit from the military branch of NATO and democratization of the armed forces.

This is the road chosen by our people, which is walked upon today by the anti-imperialist movement, faithful to the cause of independence and change.

9247

CSO: 4621/436

POLITICAL RESULTS OF MUNICIPAL ELECTIONS ESTIMATED

Athens TO VIMA in Greek 8 Aug 82 p 6

[Article by Panos Loukakos: "New Democracy's Inside Secrets Made Public"]

[Text] One year after the election a second confrontation--the municipal election in October--will show the exact political situation in the country. No one hides the fact that this confrontation is essentially political. Nor is it a secret that the election will have significant effects on the future course of the political parties.

PASOK has already accepted the challenge thus creating the context in which the confrontation will take place. In contrast to other postwar governments which tried--at least verbally--to make the municipal elections apolitical precisely in order to avoid the consequences of a possible increase in the strength of the opposition, PASOK--although in the government--already gave an essentially political tone to the October election. Willingly or not the New Democracy Party is also drawn in the same direction knowing of course that a second defeat in 1 year will no doubt have a chain reaction both on its political image and its internal cohesion. This is because any opposition is not "allowed" to lose the municipal elections. In all postwar municipal confrontations always the opposition came out on top. The Athens municipality--the political barometer of the municipal elections--was always the prize of the opposition. During the Plastiras government the mayor was the Metaxas collaborator Kotzias; /during the/ Papagos government Katsotas was the mayor; Karamanlis government, Tsoukazaras was mayor; Papandreu government, Plytas was mayor; and after 1974 during the two Karamanlis governments, Papatheodorou and Beis were the mayors.

If this standard practice is changed, if New Democracy does not register a significant rise compared to the results of the last parliamentary election, if it does not win in some of the major municipalities, especially in Athens, then we should ask "for whom the bell tolls."

The bell tolls either for ND itself which may be incapable of continuing the course charted by its founder after his withdrawal, or for its leadership only, so that another organization may be tried. Already there are rumors that some of the younger ND leaders are actively moving in various directions. But for PASOK, too, the confrontation has monumental significance. If it can maintain or even increase its strength, something unprecedented for a party in office, it will have in its

favor the proof that the people fully approve its policies and renew their confidence in the government. This will be an incontrovertible proof for a PASOK new impetus to implement its program in an even more radical fashion. But if history is repeated--a not very likely prospect--and the government suffers the "decay of office" then the government will become more vulnerable to the attacks of the opposition--Left or Right--which will be able to invoke the result of the municipal elections daily.

KKE for its part moves with an autonomous logic. It is almost certain that it will keep its present strength and may even increase it since traditionally in Greece the people vote more easily "left" in the municipal than in the parliamentary elections. Following the rejection by PASOK of KKE's proposals for cooperation, the governing party faces now a new front--a front to the left which will very likely affect the runoff election--if ND is able to move with some flexibility, something not necessarily certain. But it is certain that for KKE things are simpler than for the two major parties. The municipal elections do not have the decisive character for KKE that they have for PASOK and ND.

For KKE-Int. and several center or center-oriented organizations which run candidates, the municipal elections will also have a decisive effect because they will show to what extent they have hopes to survive in their present form or must give up a future struggle.

October, then, is going to be a decisive month for almost everybody. It will be the starting point for political developments whose appearance one cannot foretell just as one cannot foretell their outcome. The new political scenery, whatever its shape, which will be created after the municipal elections will certainly be very interesting. This is more than certain.

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CSO: 4621/485

NEW AMBASSADORS TO BE POSTED

Athens TA NEA in Greek 27 Aug 82 p 4

[Text] On 26 August, the Council of Ministers approved the new appointments of Greek ambassadors to various countries. The names and locations were not made known, because, according to international diplomatic practice, they must first be approved by the government of the country where they will serve.

At any rate, according to unofficial information, the following ambassadors were appointed: Mr. Bourlogiannis, ambassador to Sofia; Mr. Stathatos to Bucharest; Mr. Adamopoulos to Helsinki; Mr. Khristogiannis to Oslo; Mr. Nomikos to Cairo; Mr. Irakleidis to Brussels; Mr. Petropoulos to Geneva; Mr. Oikonomou to Budapest; Mr. Mazarakis to Madrid; Mr. Stamatiou to Kuwait and Mr. Zafeiriou to the EEC, under Mr. Dimadis.

In addition, the Administrative Council of the Union of Diplomatic Employees visited Minister of Foreign Affairs G. Kharalambopoulos on 26 August and gave him a lengthy memo with its opinion on issues concerning the branch and operation of the ministry in general. Finally, it was made known that G. Kharalambopoulos' meeting with journalists, which was going to occur this week, will take place next week.

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CSO: 4621/435

KKE-INT. PROTESTS KKE'S INITIATIVE ON GDR WAR REPARATIONS

Athens I AVGI in Greek 25 Aug 82 p 5

[Text] Public opinion was appalled by the flagrant attempt of the dogmatists speaking in the Chamber of Deputies to relieve the people's republic of Germany [German Democratic Republic] of its obligation to pay to Greece reparation owed under international treaties. Specifically, K. Kappos, a deputy of the Florakis party, speaking during the parliamentary debate on the subject of reparations argued that the reparations are owed only by West Germany. Kappos and his party are forgetting that during the war which with its consequences created the German obligation for reparations, Germany was a single state and that the postwar division of the country simply divides the obligation but in no way relieves one of the two German states. Does Kappos wish to imply that the people's Germany had condemned definitely and irrevocably Nazism and consequently the obligations created by Nazism's "actions" during the war? But the same could be argued by the social democratic government of West Germany which cannot be seriously portrayed as an heir of Nazism, and therefore of the obligations for German reparations determined by the international treaties. Beyond this, in the logic of the Florakis party, such countries as Hungary or Romania should not pay any war reparations since their postwar regimes cannot be regarded as "heirs of Nazism." But nobody--not even the USSR--has presented such "logic" as that presented with such audacity by Kappos as an affirmation of his party's "internationalism." This is the internationalism they try to prove in the eyes of certain people by arguing that a "sister socialist country" has no obligation to pay reparations even when they are designed to rehabilitate fighters of the Resistance and other victims of Nazi bestiality. It is the same "internationalism" which leads to a complete coverup and neglect of the subject of [special] insurance rights gained by the political refugees in the eastern countries with their work there. But what is this other than a complete subordination of the interests of the Greek people and of the Greek worker and democratic movement to some so-called "general" interests of some international leading center, or more simply to the state interests of the USSR and its allies? This is, of course, a sign of moral decay not seen even in the worst days of the old, united KKE. It is characteristic that as Manolis Glezos revealed in the Chamber of Deputies, the leadership of the united KKE had given him instructions in 1966 to speak to the party of East Germany to pay off the reparations to Greece. Now the Florakis party "vehemently" rejects such a thought. One cannot but admire the effects of this...internationalism.

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CSO: 4621/496

BRIEFS

PASOK YOUTH CONGRESS--With the participation of more than 1,000 cadres from all the youth sectors of Athens and the provinces, the First Panhellenic Conference of PASOK Youth will start today at 0900 hours at the Hotel "Park" (Alexandras Avenue). The opening of the conference will be declared by PASOK Executive Bureau member Akis Tsokhatzopoulos who will bring greetings from PASOK chairman Andreas Papandreou. The goal of the conference is to discuss the organizational development and the development of a policy of intervention by PASOK Youth in the area of the new generation. According to a statement last night by a PASOK Youth cadre to our newspaper, "the problems of youth--working, farming, young scientists, young women, students--and their solution will come up for discussion during the conference. The youth, being a significant force for change, is called today to give its own battle in the struggle for national independence and the building of socialism in our country." [Excerpts] [Athens EXORMISI TIS KYRIAKIS in Greek 31 Jul 82 p 17 7520

CSO: 4621/485

POLL RANKS MOST INFLUENTIAL LEADERS

Madrid ACTUALIDAD ECONOMICA in Spanish Special Issue pp 28-33

[Article by Javier Olave: "Who's In Charge Here"?]

[Text] According to the people making up the ACTUALIDAD ECONOMICA panel, four politicians, two bankers, two businessmen, one journalist and a union leader are the 10 individuals having the most influence in public life. The results are based as much on Cartesian reason as on unerring hunches. Because these Spaniards combine, in fact, the two factors which were already discerned by the Roman sages: "Authority" and "power", alone or in combination.

How the Poll Was Taken

The members of the ACTUALIDAD ECONOMICA panel were sent 414 questionnaires by mail. They were to be answered between the dates of 25 June and 5 July, a time when the UCD [Democratic Center Union] crisis and the "Lavilla exist" had not yet taken place, although conversations were already going on between the presidents of the government and the congress and former president Suarez. Two hundred sixty-seven answers were received, almost all signed--it was not necessary to include personal data--which was a 64.5 percent response.

When the results were tabulated, the number of times each person was mentioned was the first thing counted, producing a "ranking" which was practically the same as the final one; next, the place which each one occupied on the list of names furnished by the people polled was taken into account, allotting from 10 points to 1 point to the names placed in first to tenth place, respectively. When the names did not appear in order of influence in the answers, everyone on the list received 5 points. In any case, this second "ranking" was not decisive in making up the weighted average, and only settled ties in the first list.

The results of the poll carried out by the ACTUALIDAD ECONOMICA panel can be seen by the readers, and probably they are not wild about the idea of someone explaining it to them, or as our politicians say, of giving them a "reading" which might interfere with their personal conclusions. However, we are going to run that risk, with some observations which we try to make impartial and dispassionate, because these results--which are there, and will not be disputed--do not seem as obvious as might have been expected from such a selective poll among such an exclusive sample.

Future Vote

Is Felipe Gonzalez really the most influential person in the country? Many a person will be wondering whether the famous consensus between the government party and the head of the opposition is not so much the determining factor as why a real exchange of power took place between its leaders.

Is it true that Fraga already has so much influence on political and economic decisions? Those who are unconvinced will continue to have their doubts as to whether his "irresistible rise" is inevitable. Cries of: "And the duke...?" will come from the ranks of the credulous, who had assumed that he had retired into a law practice. Doubts could continue, and no doubt will--it has already been said that there is no interest at all in influencing other people's opinions--but certain signs reveal that the people polled did not want to remove themselves from the atmosphere of the election campaign, and voted for the future, or, rather, bet on a winning horse. The first two positions in the "ranking," from this perspective, go to the two most obvious choices at the time the poll was taken, bearing in mind the break-up of the UCD. Adolfo Suarez, on his part, would have continued representing sociological centrism, if it were not for the fact that the ACTUALIDAD ECONOMICA panel considered him to be a high-class conspirator, or a shadow head of government, which he could well be.

Shipwrecked Government

The position of the president of the government in eighth place would be a scandal under normal circumstances, because even the most slow-witted person knows that the head of the executive branch has the ability--and the obligation--to affect the political and economic life of a civilized country. And, also, that this is obvious. Something similar could be said about the economic vice president, relegated to 22nd place, which also is very different from the poll taken in the first week of March from the same sample. (See "AE" No. 1248) in which opinion favorable to Garcia Diez reached 69.3 percent. The drop in prestige of the political vice president is also spectacular: He only was mentioned 11 times, three less than Roson, and two more than Pio Cabanillas. The ministers of treasury and defense, with three nominations each, are the last bits of wreckage remaining from the shipwrecked government.

Banking and Popularity

The banking sector is very well represented: The president of Banesto and of the Central Bank--the most "traditional" of the sector, together with Botin, which appears in 14th place--obtained the top posts in the economic community, after the president of the employers' organization CEOE [Spanish Confederation of Business Organizations] and immediately before the foremost employer in the nation, Ruiz-Mateos. The president of the AEB [expansion unknown] was well placed--the first one after the "top ten," and the president of Bilbao only received a consolation prize. The presidents of Popular and Hispano were mentioned 11 and 5 times respectively, and the president of Vizcaya is the only one of the "big seven" who does not appear anywhere. On the other hand, the president of Urquijo is in 26th place on the

final list, as if to confirm this medium-sized bank's excellent connections: The political vice president and the ministers of treasury and defense, among others, have had professional ties with the Urquijo group.

The excellent standing of the director of EL PAIS--reinforced by the fact that the next most-mentioned man of the press is his delegated counselor, Jesus de Polanco, contrasts vividly with the total omission by the people polled of the heads of the more traditional newspapers. The one exception is the director and the president of another popular newspaper, DIARIO 16, mentioned 13 and 10 times respectively, the same number of times and in the same order as Robles Piquer and Emilio Romero. The president of the Efe Agency and of the Federation of Press Associations thus has won out over his most fervent enemies.

Help Wanted

The count of exiles and "missing" would be endless. The military men would not appear to have as much influence as it sometimes seems, although the place number 13--superstitious people, beware--of the president of the JUJEM [Joint Chiefs of Staff] is not bad either. The 21 mentions of Sabino Fernandez Campo, on the other hand, surely are due more to his links with the Zarzuela than to his rank of general.

The businessmen and financiers consulted did not allot much influence to the governor of the Bank of Spain, to whom perhaps there should be added the 16 nominations received by the assistant governor. Only four of those consulted mentioned the president of the INI [National Institute of Industry] in their accounts, which--also under normal circumstances--would be as scandalous as the absence of the government; only the presence of Claudio Boada in the 20th place in the "ranking" moderates the bad showing of the public sector in the poll a bit.

Santiago Carrillo, with 10 miserable remembrances, and Francisco Fernandez Ordonez, with three, are at the tail end of the line. Said without any offense meant.

The King: New Paragraph

The king of Spain was mentioned by a great many of the people polled, and except in nine cases, always took first place. However, because of the difficulty of finding out how many people wanted to leave the Crown out of the "competition"--some stated this expressly in their responses--the editorial staff of ACTUALIDAD ECONOMICA decided to omit the name of Don Juan Carlos and also that of Dona Sofia, who was also mentioned several times.

THE FIRST THIRTY

	Times Mentioned	Ranking by Times Mentioned	Points Obtained	Ranking by Points
1. Felipe Gonzalez	241	1	1,809	1
2. Manuel Fraga	182	2	1,190	2
3. Adolfo Suarez	156	3	1,001	3
4. Carlos Ferrer	155	4	784	5
5. Jose Maria Aguirre Gonzalo	147	5	948	4
6. Juan Luis Cebria	126	6	476	8
7. Alfonso Escamez	102	7	505	7
8. Leopoldo Calvo Sotelo	98	8	662	6
9. Jose Maria Ruiz-Mateos	89	9	453	9
10. Nicolas Redondo	87	10	347	11
11. Rafael Termes	75	11	410	10
12. Lanelino Lavilla	63	12	334	12
13. Alvaro Lacalle	53	13	245	14
14. Emilio Botin	49	14	315	13
15. Antonio Garrigues Walker	48	15	203	16
16. Enrique Fuentes Quintana	39	17	220	15
17. Jordi Pujol	45	16	196	17
18. Vicente Enrique y Tarancon	38	18	175	18
19. Marcelino Camacho	38	19	126	20
20. Claduo Boada	32	20	147	19
21. Jose Ramon Alvarez Rendueles	31	21	123	22
22. Juan Antonio Garcia Diez	25	22	130	21
23. Jose Angel Sanchez Asiain	24	23	119	23
24. Alfonso Guerra	24	24	102	25
25. Sabino Fernandez Campo	21	26	112	24
26. Jaime Carvajal	23	25	99	26
27. Jose Antonio Segurado	21	27	89	28
28. Jesus de Polanco	18	29	95	27
29. Miguel Roca	20	28	81	29
30. Luis Maria Anson	17	30	63	32

The "A.E." Panel

The ACTUALIDAD ECONOMICA Panel among which the magazine's polls are taken could not be more definite: The 500 people selected by this weekly as "future businessmen" or "financiers of the year" over the last 4 years, who have not yet reached the age of 50. Because of difficulties in location, and because it was advisable to dispense with professionals with ties to the administration in order to guarantee maximum independence of attitude in this case, 414 questionnaires were sent out, with a rate of response which, once again, attests to the high level of professionalism and the prestige of the businessmen and financiers in the sample chosen.

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