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23 June 1982

LATIN AMERICA REPORT

No. 2527

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OIL PROSPECTS IN SOUTH ATLANTIC MINIMIZED, SAYS ARTICLE

Buenos Aires CLARIN in Spanish 16 May 82 pp 6-7

[Article by A. Ale and E. Gosman: "Oil in Southern Argentine Waters"]

[Text] In spite of the high cost of offshore drilling, the oil industry has not wavered in its efforts to explore the sedimentary basins of continental shelves in search of new sources of hydrocarbons. Why has it been so persistent? In the first place, because it is an absolute certainty that most of the oil that remains to be discovered in the world is located beneath the seabed. Secondly, because the Western powers, the United States included, need to become independent, even if just partially, of their traditional suppliers: the Middle East and northern and western Africa.

It is within this context that the explosive growth of worldwide offshore drilling in recent years takes on its true dimension. The fact is that the hydrocarbons extracted from marine deposits now account for 22 percent of total world oil output, and the oil companies plan to up this to 30 percent as of the middle of this decade.

Here is another piece of information: In 1975 there were 375 exploration and production rigs in operation worldwide; in 1981, there were 603, a jump of 60 percent. Furthermore, in October of last year orders were placed for the construction of 243 mobile rigs, which means that the total number of rigs has doubled in the last 5 years.

The Echoes of the Boom

Among the recent exploration zones, southern Argentine waters have aroused the greatest expectations, in spite of the difficulties involved in verifying the extent of reserves, according to experts. In view of the geological potential of this broad stretch of waters off the coast of Tierra del Fuego and Patagonia (estimated by some to cover 400,000 square kilometers and by others, almost 1 million) and given the findings of previous geological studies, three leading international companies, which happen to be the ones with the most experience in offshore activity, have embarked on costly projects to locate and quantify the basins. Nevertheless, the echoes of the world boom in this activity

are scarcely to be heard on the Argentine side of the South Atlantic, and although activities have just begun, no one in oil industry circles is concealing the fact that the pace of exploration work is "very slow."

Some are suggesting that the delays in bidding for new areas have to do with the far from attractive price that Government Oil Deposits (YPF) is prepared to pay for hydrocarbons (half the international price). It has also been said that the presence of the major companies in the areas that have been contracted out has to do with their interest in consolidating their positions "in anticipation of better conditions."

Opinions

The reluctance of oil men to venture estimates of the hydrocarbons resources (liquid and gaseous) in the South Atlantic does not, however, conceal their expectations in this regard. Alejandro Bulgheroni, president of Bidas, a company that has joined with Total Austral, and affiliate of the French firm, and Deminex from West Germany to form a consortium to explore the Tierra del Fuego I area, explained: "The sedimentary basins in the area are very sizable and justify the investment needed to locate them, even though assessing the results might be a lengthy and difficult process."

His opinion, which is shared by the groups operating in the zone, rebuts the arguments of those who seek to downplay the extent and quality of the reserves. The companies are being cautious for other reasons. Luis Aguirre, the head of Astra, which together with Esso and Perez Companac is part of the group operating in Tierra del Fuego East I and II, pointed out that "the seabed undoubtedly contains resources, but the problem is the time required to find them."

Although present-day equipment is highly reliable, only drilling can provide ultimate proof. The geophysical studies conducted by YPF, which define the so-called seismic lines, and the investigations by the companies themselves are really just a reference point. Based on the data they furnish, experts draw up maps of the basins regarded as "certain," in other words, the ones that are most likely to contain hydrocarbons.

But so far no one has come up with a method to guarantee success in "in situ" verification. "In our case, the results of exploratory work have been negative, and now we are forced to conduct a new study of the areas in which we are operating, taking into account the stratigraphical data obtained from the drilling to redraft our maps," Aguirre acknowledged. This is why the group headed by Esso has decided to suspend operations in its assigned sections, especially when we consider that it has already spent all of the initial investment money provided for in the contract.

Realistic Prices

The halt in offshore activities in the Tierra del Fuego East I and II areas (whether temporary or permanent is not known) has given rise to questions, which have already been hinted at in oil industry circles themselves, about the slow pace of operations. According to Bulgheroni, the reason for the slowdown is essentially the uncertainty created by the announced amendment of the Hydrocarbons Law, which, he contended, "generates a situation in which new bidding is suspended."

We cannot overlook, of course, that the companies are seeking a number of extra "assurances" for their investments, such as contract terms that will enable them to optimize their resources; a suitable cost-price ratio (for oil extracted from offshore deposits in the future) and a certain percentage of oil production (see below).

According to the head of Bidas, an optimum use of financial and technical resources would enable us to expand the exploration areas more quickly. "I would consider it very useful if the exploration commitments could be carried out in two stages, with an initial phase of seismic options." He also regarded a "realistic pricing policy," which is now lacking, as very important. Lastly but still with an eye towards enhancing the legal framework in which the companies operate, he contended that the firms "will be positively motivated if the producer in the area is able to secure a certain percentage of the oil that is discovered."

Under the provisions of "risk contracts," offshore activities basically involve the following three points. YPF gives the companies the results of seismic studies conducted by government agencies. The companies awarded contracts must then invest a fixed amount of money during the exploratory phase and run the downside risks, and they are then obliged to sell the oil to YPF.

As Bulgheroni has suggested, the companies are reportedly seeking to have the standards set by Resolution No 219 of the Energy Secretariat updated. This resolution, which dates from 1978 and serves as a complement to Law No 21,778, is described by them as so vague in its scope that the required guarantees could, in fact, be left out of contracts.

According to the Astra vice president, "the legal framework is elastic enough to allow both totally unfettered operations and complete government control."

"It all depends on the official who enforces the law," he said. In spite of this, he felt that the regulations governing risk contracts "are adequate for operations; so a new hydrocarbons law is not needed."

Pricing is undoubtedly one of the sore points. According to the oil companies, YPF pays half of the world market price for hydrocarbons. "Such prices are not attractive enough for many of the offshore fields, where conditions at times entail costs that make this percentage unprofitable," it has been said.

In other words, they are suggesting that prices be set in accordance with circumstances, even above world prices "when the difficulties of operations so justify."

Activity in Contracted Areas

Operating with four rigs, three consortiums are at work in the seven off-shore exploration areas.

--Esso Exploradora, Astra, Naviera Perez Companc and CADIPSA are operating in the Tierra del Fuego East I and II zones. According to sources linked to this group, activities have been temporarily suspended until the results of 2 years of operations can be evaluated in a survey that Esso is conducting in the United States.

--Other private sectors indicated, however, that the consortium would not continue operations now that it has put in the investments called for in the contract without obtaining initial confirmations of finds.

--Shell Hydrocarbons, Shell CAPSA and Petrolar have been assigned the San Jorge North, San Jorge Center, Magellan and Gallegos River areas. The risk contract calls for 17 wells to be drilled. Efforts so far have yielded "satisfactory" results.

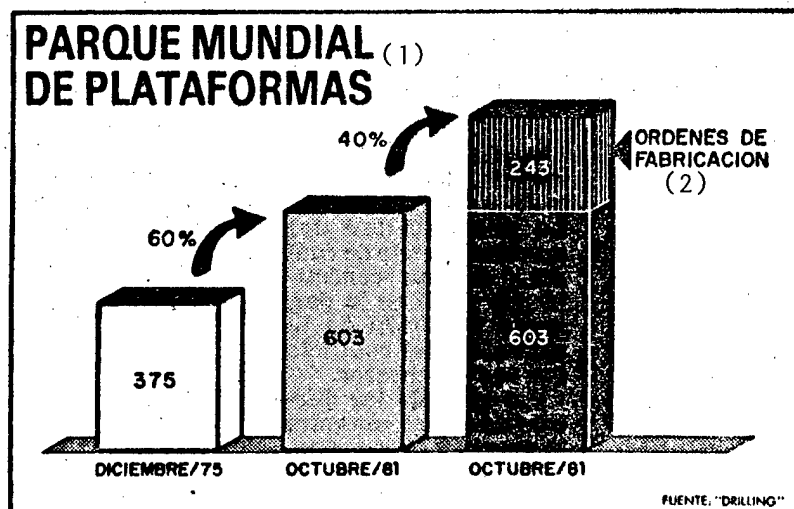
--Total Austral, Bidas, Deminex and Arfranco are operating in the Tierra del Fuego I zone. Arfranco withdrew from the group late last year. Bidas, meanwhile, joined with SAIPEN, a subsidiary of Italy's ENI [National Hydrocarbons Agency], to form an exploration company for Latin America; it owns the Rio Colorado rig.

Contract Renegotiation

The renegotiation of oil contracts has been halted for several months now by the need to reconcile official requirements, as set forth by the Energy Secretariat, and business requirements. Government and business are currently at loggerheads in this regard.

With specific regard to offshore development, we have recently heard a great many different suggestions from the business consortiums involved in this sphere. For example, the domestically funded companies primarily want oil prices to be set close to world levels, because YPF is currently paying half the going price on the world market. Thus, they are not complaining about being tied to a single buyer (YPF); on the contrary, this relieves them of the need to look for markets, with the outlays that this entails (transportation, insurance). As far as the transnational corporations operating in the area in partnership with domestic firms are concerned, another essential point in contract renegotiations is the unrestricted availability of "a certain percentage of the total amount of oil extracted." This would enable them to make up for any unexpected energy shortfalls in their home countries.

One point on which the companies agree is the narrowing of risk margins. This would hinge on the possibility of conducting new seismic surveys during a certain stage of operations, which would enable them to make investments consistent with any new findings during a period after initial exploration. As arguments backing their proposal, they cite the enormous amount of capital needed and the technical limitations in verifying reserves.



The total number of offshore oil rigs has doubled over the past 5 years. The hydrocarbons extracted from ocean basins now account for 22 percent of total world oil output.

Key:

1. Total number of rigs in the world
2. On order

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CSO: 3010/1682

BRIEFS

MENDOZA OIL FIND--YPF [Government Oil Deposits] has found light oil in the course of its explorations in the province of Mendoza. The trial flow was 1,150 cubic millimeters a day, measured through a 50-millimeter opening. The discovery, which could turn out to be of major importance, was made during the YPF's explorations in the Triassic Basin 55 kilometers southwest of the provincial capital. It occurred during the drilling of the Md.PPC.x-2 well (Puesto Pozo Cerrado), as strata in the Potrerillos Formation 3,700 meters down were being pierced. Estimates are that the associated gas totals 150,000 cubic meters a day. According to official reports, although the testing has not concluded and exploratory surveys to ascertain the size of the deposit remain to be conducted, initial data suggest that the find covers a large area in northern Mendoza. Circles connected with the enterprise also mentioned that the new deposit could be regarded as vitally important, especially at a time when Argentina needs energy sources to get through the current fighting. [Text] [Buenos Aires CLARIN in Spanish 18 May 82 p 27] 8743

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CSO: 3010/1682

YPFB FINANCIAL SITUATION FORCES REVIEW OF OBJECTIVES

La Paz PRESENCIA in Spanish 28 Apr 82 p 8

[Text] The decrease in the revenues of the Bolivian Government Oil Deposits [YPFB]--as a consequence of the subsidized prices for fuels--poses serious difficulties for achievement of the minimum objectives of the national energy development programs, according to official sources.

The programmed increase in the work of exploration, and the intensification of work in connection with development of the recently discovered deposits, will not be possible unless there is a rise in domestic fuel prices and consequently in the liquid assets of the YPFB.

At the beginning of the year the office of general manager of the YPFB announced a program of investments for 1982 totaling approximately \$100 million for exploration alone.

Although the greater part of the resources available to this enterprise are derived from natural gas exports to Argentina, the deficit caused by the subsidies will prevent the YPFB from obtaining the funds necessary to cover the planned investments, according to responsible sources.

The investments for 1982 were announced before institution of the economic measures of 5 February and 22 and 24 March, which resulted in a substantial decline in the dollar price for fuels.

Official reports indicate that because of the low fuel prices, the YPFB will lose approximately \$50 million this year.

To this loss must be added the \$30 million which the Argentine Government paid directly to the Central Bank of Bolivia without the YPFB having access to these funds.

Col Otto Lopez, general manager of the YPFB, has repeatedly stated that the economic situation of the YPFB is critical and that a review has therefore been undertaken of all the petroleum development projects with a view to reaffirming some and discarding others. He said that any decision concerning fuel prices can be made only by the presidency of the republic and the Ministry of Finance.

Reprogramming the YPFB projects would adversely affect certain urgently needed projects--including the gas pipeline to the plateau region--because of the lack of matching funds to go with the \$97 million in credit granted by the Inter-American Development Bank.

The mission of the IMF--which is currently evaluating the national economic situation--reiterated its opinion to the effect that all subsidies must be eliminated as a means of increase the income of the principal enterprises that generate foreign exchange.

This opinion was expressed to Bolivian economic authorities and to the YPFB technical experts themselves.

The rumors concerning an imminent rise in fuel prices were not denied. The only response was from the general manager of the YPFB, to the effect that this question must be decided by the principal authorities of the government.

The products currently being subsidized are: fuels, wheat flour, and four articles sold in the grocery stores of the Mining Corporation of Bolivia.

The work of the FMI mission in La Paz will be concluded within 1 week.

10992

CSO: 3010/1639

PROMON ADVOCATES GREATER USE OF BIOMASS; OTHER REPORTAGE

Pyrolysis, Gasification of Wood

Rio de Janeiro GAZETA MERCANTIL in Portuguese 27 May 82 p 9

[Text] Sao Paulo--Expansion of the relative weight of wood in particular and of solid biomass in general to "stretch out" the Brazilian oil-refining profile is a proposal advocated by Victor Yang, PROMON engineer, which he presented to the Sixth International Forum for Energy Use of Wood in Washington (USA). Yang's idea--"of not putting all our eggs in the National Alcohol Program (PROALCOOL) basket"--includes a number of biomass uses, notably synthetic gas and methanol from wood, as "basic to government strategy."

At the same time that the PROMON executive warns against "the deforestation problem" and the "three-sided conflict in Brazil between land for food crops, for energy and for export," he contends that the "energy potential of biomass hydrocarbons is among those of greatest importance for the Third World (except for the Middle East)."

Increments

Victor Yang notes that "taking into consideration only the annual growth of the world's forests, there is an annual increment equivalent, in energy terms, to 20 billion barrels of petroleum, which would represent an annual consumption of 3 billion tons of oil."

The work of the Promon Technology Center (CTP) has made considerable progress in pyrolysis and gasification of wood (and other biomass). "In this field Brazil is relatively more advanced than many industrialized countries," asserts Yang. Particularly, the CTP investigated a technology for pyrolysis in converting wood to charcoal in the absence of oxygen (there are other concepts of partial combustion with a low ratio between carbon and oxygen). Technically, CTP thus penetrated the area of thermoconversion, where gasification is just one option.

An attribute of pyrolysis/gasification of wood is the flexibility of the processes. "There is a need for diversification of products," argues Yang, "to utilize the entire barrel of oil." It is a reference to the bottleneck in diesel fuel and liquified petroleum gas (LPG), two derivatives that overburden the needs of crude oil for Brazilian refineries. His recommendation, therefore, is to reduce pressures on refining these two derivatives by producing substitutes made from wood.

A graph produced by the CTP and distributed in the United States shows historically that, in 1970, the cost per calorie from wood in Brazil was higher than that from fuel oil or hydroelectricity. About 1978, wood-generated heat became cheaper than that from hydroelectricity and about 1979 hydroelectricity became cheaper than fuel oil. The latter is now the most expensive of the three, with hydroelectricity second and wood the cheapest, according to the CTP.

Return

In regard to return on investment, Yang prepared another graph showing that in Brazil a device for producing gas from wood pays for itself within 24 months after beginning to operate, although Victor Yang acknowledges there are barriers (such as "of scale"). Continuous gas production of 5,000 calories per hour is the most, which is not enough for a significant number of firms that would need several modules.

Furthermore, CTP suggests that companies evaluate in advance: 1) Whether biomass is available and what its price prospects are; 2) Whether the price charged by the supplier of biomass assures its replacement by the producer; 3) Whether the opportunity cost was properly arrived at, by checking alternatives such as sugarcane bagasse, rice straw, babassu and other raw materials suitable for pyrolysis; and 4) Whether in the long run the material chosen, initially in terms of conservation and replacing petroleum, can compete as a direct fuel.

Finally, technical questions such as the temperature limits of the producer-gas flame are considered irrelevant, as they can often be avoided by investment. A glass or ceramic factory could always pre-heat the air or enrich it in case a higher temperature is needed, Yang contends. The only things left out of his study are handling, storage and transport of solids, which usually require energy, working capital and fixed capital.

Biogas for Vehicles

Sao Paulo FOLHA DE SAO PAULO in Portuguese 23 May 82 p 36

[Text] Rio de Janeiro--By the end of this year, 800 vehicles of several companies will be traveling about the nation powered by biogas, a fuel obtained from trash and sewage at a cost of 25 cruzeiros per equivalent liter of gasoline. A 50-liter cylinder of fuel enables an average automobile to travel 200 kilometers and installation of the complete kit, consisting of the cylinder of fuel and a pressure reducer, sells for 120,000 cruzeiros, with no need to convert the motor.

The patent for the process was acquired from the Italian firm of Tartarini by Gazagro Biotec which, in turn, promised to make the kit in Brazil because the Italian company does not have enough capacity to satisfy the market. There are now 600,000 vehicles in Italy powered by biogas.

Using biogas as fuel is simple. The 50-liter cylinder can be installed in the car's trunk or even on its roof, and a pressure reducer is necessary. This kit can be transferred to another vehicle and permits use of another fuel, only requiring the turn of a specific key in the equipment. To "fill the tank" there is no need to change the cylinder.

Eduardo Ocampo, Gazagro executive director, asserts that the process is safe, with less fire hazard than in gasoline-powered vehicles. The gas is compressed into special lightweight steel cylinders at a pressure of 22 kilograms per square centimeter, capable of withstanding a pressure of 35 kilograms per square centimeter.

Gazagro is installing two pilot plants for the Rio State Gas Company and the Water and Sewer Company, each with capacity to produce 360 cubic meters of gas daily, which could supply 12 vehicles. The plants will be opened in July and cost Gazagro 8 million cruzeiros each.

The company's objective is to service small and medium-sized farmers who have organic matter from slaughtering and from all types of food, as the fuel can be used in various tractors and machines. The project is also being shown on a pilot scale to rural communities of 2,000 to 3,000 inhabitants, permitting installation of the whole water-treatment and sewerage system and producing energy at the same time. The next step will be to use biogas from stillage to meet the energy needs of sugar mills. A unit is to be installed soon in the Campos producing region of northern Rio de Janeiro State.

UNESCO Research Proposal

Brasilia CORREIO BRAZILIENSE in Portuguese 1 Jun 82 p 13

[Text] Brazil will propose to UNESCO (United Nations Educational, Scientific and Cultural Organization) at its meeting in September creation of a World Biomass Technology Center to study alternative energy sources.

The announcement was made yesterday by the industrial technology secretary of the Industry and Commerce Ministry, Jose Israel Vargas, who is also a member of the UNESCO Executive Council. He was appointed 5 May to complete the term of Ambassador Paulo Carneiro.

According to Jose Vargas, if the World Biomass Technology Center is approved it should be installed in Brazil, which is the world's leading researcher on alternative energy sources, of which PROALCOOL is the precursor. With creation of the center, Brazil could export its technology to less-developed countries.

Research would not be done on alcohol alone, as other vegetable matter, such as eucalyptus wood, is an excellent alternative source, according to EMBRAPA [Brazilian Agriculture and Livestock Research Enterprise].

Jose Israel also said Brazil will buy a computer from France, which will be installed in Rio de Janeiro for studies in the field of industrial design to increase production efficiency.

8834

CSO: 3001/161

PETROLEUM PRODUCTION OF 324,000 B/D GOAL FOR 1983

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 3 Jun 82 p 38

[Text] Rio de Janeiro--In 1983 domestic petroleum production will reach a daily average of 324,000 barrels, a record increase of 21 percent over this year's average, which should be about 266,000 barrels a day, engineer Mauricio Alvarenga, superintendent of the Petrobras Production Department, said yesterday. Petrobras expects this year's production to peak at a daily average of 310,000 barrels during the final days of December.

This result will be possible thanks to incorporating the preliminary system being installed in the Bonito field off the Rio de Janeiro coast, whose 6 wells will provide an additional 20,000 to 30,000 barrels of oil daily. However, operational problems in getting the system started could push the 310,000-barrels-a-day peak back to the beginning of next year, Alvarenga said.

Growth of domestic petroleum production and new discoveries, especially in the Campos basin, make reaching the goal of 500,000 barrels daily by 1985 more likely all the time, although the daily average for that entire year may not be that high. In this regard the expectation of the Petrobras Production Department chief is shared by other sectors of the company, especially in view of new discoveries in the Campos basin which will enable a production of 500,000 barrels a day to be maintained after 1985.

Preliminary

Engineer Mauricio Alvarenga also revealed that Petrobras continues to strengthen its efforts to speed up the increase in domestic petroleum production by using preliminary production complexes in the Campos basin where seven systems are now in operation.

The state enterprise is now preparing to put three more preliminary production systems into operation, which should add another 30,000 barrels a day to the volume flowing from the nation's wells. The first of these systems will be a preliminary production from the Rio de Janeiro 159 well, located south of the Pampo field.

The second system will draw on deposits at the Rio de Janeiro 186 well, located between the Enchova and Corvina fields. A third system will use the Rio de Janeiro 90 well to the north of the Garoupa field. Each of these systems will produce 10,000 barrels a day.

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CSO: 3001/161

IMPACT OF GASOLINE PRICE INCREASE DISCUSSED

Lima EL COMERCIO in Spanish 18 May 82 Economic Supplement p 3

[Four economists answer question: "How Much Should Gasoline Cost?"]

[Text] Prof Carlos Amat y Leon, Head of the Economics Department, Universidad del Pacifico:

The pricing policy for this product, as for any other, must be analyzed in the following context: the structure of consumption and domestic production; and international market; growth in fuel consumption; and, the need for foreign exchange to capitalize the country.

If the consumer is going to be forced to save and reduce consumption of other goods and services that are more elastic than gasoline, because of an increase in the price of oil, he has to be made aware of the advantages that would justify such a sacrifice.

If the government introduces plans to produce electricity by hydraulic energy so as to reduce future energy costs and make barrels of oil available for export, and if there is a mass urban transportation program to separate the cost of fares from the price of gasoline and reduce the time and cost of transportation for the public, and if, in addition, specific programs are introduced to strengthen the management of PETROPERU so that it can achieve a level of efficiency similar to that found in foreign firms, then the cost of a gallon of gasoline should be no less than \$1.50. It should nevertheless be pointed out that the higher cost of living resulting from the increase in the real price of gasoline should be easily offset by the substantial reduction in inflation, brought on by reducing the government deficit, a strict monetary policy, and effective control over the prices of basic commodities.

However, if these good intentions do not become a reality, the people will have good reason to think that this sacrifice is going to finance other interests, and that the proposed price is therefore excessive, besides being deceiving.

Felipe Cebrecos Revilla, Director of the Central Reserve Bank and Chairman of the Executive Board of the Lima Savings Bank :

The price for a gallon of gasoline should reflect the cost of buying it on international markets, plus distribution costs and a reasonable profit.

Gasoline, like other scarce fuels, is a vehicle for collecting revenue, used by most countries in the world for two purposes: on the one hand, the higher rate forces the user to rationalize his consumption, which increases savings in the country and the availability of foreign exchange; and, on the other hand, it increases government revenue thus enabling the government to cover the budget deficit and make investments to raise people's standard of living. An increase in the price of gasoline would most affect those who consume the most, that is high-income groups, and would thus help redistribute wealth to lower-income groups.

In a good many countries, a large part of the selling price of gasoline consists of government tax, which is then spent in government programs to build roads, for instance.

If the increased government revenue is used in programs to improve the people's standard of living, the gasoline price increase is justified.

Dr Octavio Chirinos Valdivia, Economic and Financial Advisor to the Minister of Energy and Mines:

A world energy authority recently warned that developing countries cannot afford to "burn the oil they have willy-nilly," since in just a few decades the limited and depletable oil resources will be used up. This is just one reason why the hope of having cheap fuel should be rejected.

At present there is a substantial difference between the price for a barrel of oil on the world market and the price on the Peruvian domestic market. The difference reflects an indiscriminate government subsidy for all sectors, which cuts down on the resources that could be used to meet the majority of the people's needs and to finance the research and development of alternative energy sources while there is still time to do so.

Gasoline, for instance, is a product made from crude oil, which sold at an average of \$34 a barrel in 1981. To refine and process it to obtain gasoline and then ship the product to storage tanks throughout the country, so that from there it can be shipped to gasoline stations, represents an additional cost of \$8. This adds up to a total cost of \$42 per barrel, but the domestic selling price is only \$40. Out of this amount, the producer (PETROPERU) receives only \$19 a barrel. In the case of household kerosene, the gap between the production cost and the selling price is even greater. A product obtained from processing that same \$34-a-barrel oil, that must be refined, stored, shipped, distributed and sold, costs the consumer only \$8, including the station operator's margin and taxes.

It is a proven fact that subsidizing fuel prices encourages waste and squandering of an indispensable energy source which is irreplaceable at the present time.

In the final analysis, what we should be fighting is the tendency to be highly dependent on fuels, so that we can avoid following the reproachable course taken by developed countries in this area, namely the unrestricted consumption of energy.

Carlos Guerinoni Parodi, President of the Association of Gas Pumps and Service Stations of Peru:

A gallon of gasoline should have a real price, since petroleum is a depletable natural resource, and our self-sufficiency should be guaranteed in future. In my opinion, the price of \$1.25 a gallon, fixed by the government to take effect in June, is appropriate, since it will prevent the wastage of gasoline, even though it evidently runs counter to our interests as merchants.

With this price, the government will have the economic means needed to try to control inflation, finance the budget, and implement development projects that the country needs, such as the exploration and development of new oilfields by PETROPERU. The gasoline tax also fulfills a socio-economic function, because it only affects the wealthiest 12-percent of the population that has the financial capacity to pay taxes.

Gasoline is definitely not a critical factor in the increase in the cost of living, since transportation of passengers and freight is for the most part mass transportation involving vehicles that do not use gasoline and which, in addition, receive a government subsidy.

Our business experience shows that automobile drivers take undue advantage of cheap gasoline prices when they are below the real price, which is what happened just a few years ago with serious economic consequences that the country is paying for today.

9805

CSO: 3010/1606

ENERGY MINISTER EXPLAINS OIL TAX LAW

Lima EL COMERCIO in Spanish 6 May 82 p A-4

[Text] Pedro Pablo Kuczynski, the minister of energy and mines, explained yesterday the reasons why PETROPERU will be paying an income tax on the crude oil extracted by Hamilton. He said that "this is what Law 22774 stipulates in establishing the bases for contracting."

He explained that this law was laid down by the previous military government and that it does not pertain "only to this foreign company."

He told EL COMERCIO that the law specifies that the contractor must deliver a substantial part of its output to PETROPERU--in the case of Hamilton the figure is 50 percent--and must then pay income tax "on the remainder."

He added that under this system, (Hamilton) "is paying altogether a tax of around 85 percent of the total output."

In explaining other tax assessment procedures, Kuczynski said that indirect taxes, and in this case essentially import duties, "are paid by PETROPERU on behalf of the contractor, for two reasons: for economic reasons, since the tax burden is extremely high; and, because all contracts specify that the equipment that remains in the country upon completion of the contract is recovered by PETROPERU."

Elaborating on this concept, the minister remarked that under arrangements of this sort, "this equipment is PETROPERU's in the long run."

Oil Exports

The energy and mines minister also said that "according to the spirit of all these contracts, the oil belongs totally to Peru and so if there were an export tax at the time of production, PETROPERU would pay it."

He added, however, that this was unlikely, "since the tax expires in July 1983."

Equipment Imports

As far as equipment is concerned, Kuczynski said that if there are any import duties, PETROPERU would also pay them. He recalled that "there is a law that differentiates this type of payment."

Summarizing all this, he said that on the basis of this law, "the payments that PETROPERU will have to make are very small and even nonexistent in some cases."

Term of the Contract

Referring to the 30-year term stipulated in the contract with Hamilton, the minister explained that "this is on condition that the contractor develops the oilfield."

He noted that if the contractor fails to comply with this specification, "the contract may be canceled every 2 years, which means that it could lapse in this period of time."

The World Bank and Exploration

Kuczynski denied the allegation that they were not following the World Bank's guidelines according to which oil exploration is for the account of the countries themselves. He stated freely but emphatically: "that is what we are doing."

The recommendation refers to the need for governments to be in a better position to negotiate with oil transnationals in their oil exploration activities, so that the countries involved can avoid situations that are costly or damaging for the producer country.

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CSO: 3010/1606

BRIEFS

PETROPERU 1981 OIL REVENUE--Talara, May 7--Engineer Jose Lizarraga, technical deputy manager of PETROPERU, reported at a meeting with members of the joint command of the armed forces that his company had earned 350 billion soles in 1981. The group visited this area yesterday to have a look at the petrochemical industry. He said that this important contribution to the national treasury is higher than in previous years, as a result of the intensive work being done. He indicated that the 350 billion soles include taxes on gasoline and other fuel derivatives. He added that the oil tax payments had increased substantially to the benefit of producing areas. According to calculations made, these payments have increased to 40 and 50 billion soles in recent years. Lizarraga indicated that these increases will make it possible to develop the towns where oil is produced. He then reported on the various problems confronting the Talara oil industry. These include the lack of adequate electrical and drinking water systems, "which are problems that also considerably affect the local people." The manager of Belco, Alberto Sacio, told the newspaper that his firm now has 400 wells in full production and that it will invest about \$120 million this year to build new rigs to drill for oil on the continental shelf. This investment will be used to build a pier at Talara port, and to buy drilling and pumping equipment, including 10 rigs. With this, they also had an opportunity to observe various offshore rigs operated by mechanized systems. [Article by Javier Ascue Warmiento] [Text] [Lima EL COMERCIO 8 May 82 p A-12] 9805

HYDROELECTRIC PROJECT IN ANGOSTURA--Arequipa, 16 May--The transfer of waters from the Atlantic to the Pacific will be one of the largest engineering undertakings in the second phase of the Integral Majes Development Project. It involves channeling the waters of the Apurimac River to the Colca through another colossal work of engineering, the Angostura Dam, whose capacity will be 1 billion cubic meters, one of the largest dams in this part of the continent. For the project in question, the transfer means the use of regulated water for 37,000 out of the total 60,000 hectares of the Majes pampas. Based on feasibility studies, it is estimated that the transfer of waters from the Atlantic basin to the Pacific, including the dam, will cost over \$150 million. However, this sum will change if initiation of the work is delayed. Using the waters from this great artificial lagoon also, it will be possible to set up the Llueta hydroelectric plant which, along with the Lluta plant, will produce over 650,000 megawatts. [Text] [Lima EL COMERCIO in Spanish 17 May 82 p A-20] 11,464

MEXICAN PAPER CARRIES ARGENTINE CRITICISM OF FALKLANDS CAMPAIGN

Mexico City EXCELSIOR in Spanish 18 May 82 pp 1-A, 22-A

["Private Network" column by Manuel Buendia]

[Text] A letter, a chronicle, a memorandum. Elements to show us the other face of the war of the Malvinas. The war of false heroes, soldiers without honor, the war in the jargon of scoundrels.

Also described is the personal drama of many Argentines who inherited from their ancestors the intense desire to recover the islands, but who believe that that cause is now in dirty and degenerate hands: those of the military dictatorship.

The letter that arrived last week from Buenos Aires referred to this last point. Here is the text:

"We are frightened, inundated with false reports. We know they are false because in comparing the reports from England with those that we receive here they seemed to refer to different events. Those who know say that this happens in every war, but it is disconcerting and frightening.

"One must not forget that here we have known nothing of these activities for several generations. The most complete information and the best army that we have is the television series 'Combat,' and although it abounds in theory, it provides no experience.

"Most of the country not associated with the government is convinced that it was neither the time nor the means to begin the reclamation. By coincidence or by provocation it served to halt a process that threatened to culminate very violently that same week. I believe that the measure is very disproportionate, and in addition, it did not eliminate, but only deferred the process. And there is more trouble: What may yet come is as bad as what is now happening.

"This new awakening to defend the sovereignty of the Malvinas seems very artificial, considering that for many years we have been forced to live without honor.

"If we lived in a democratic country governed by elected officials able to carry out their mandates, where individual rights are respected, where there is personal safety, where the introduction and circulation of books and films does not depend on the judgement of a faceless and nameless censor, where economic policies could be judged in order to correct them, then we would be worthy enough to concern ourselves with the enslavement of a faraway part of our territory that occurred 150 years ago. But since our main concern is with internal problems, we are indifferent to this other matter.

"Opposition politicians, mistreated and mishandled until a week earlier, express a solidarity based totally on prudence. They think that they can present their bill for services rendered and that they will be paid. The same thing is happening with General Labor Confederation leaders.

"Another falsehood is making the rounds, namely, that this event will serve to unite us. Absurd. We are not disunited because of circumstances, but because we have different solutions for life, and although we are in the majority, we are not allowed to participate in running the country.

"We feel all of this very acutely because the activity closest to us is culture, the most controlled, castigated and destroyed activity, because it is considered dangerous.

"Aside from the tremendous political deterioration, we are suffering an economic disaster that is worsening by the day. When Prebisch was here he said that it was useless to consider ways to solve the economic crisis as long as we do not solve the political crisis, as long as we continue to live under a dictatorship. This prediction is coming true. We have no record of a similar recession.

"Everything is very wrong. According to the instructions that we received we have no cause to be concerned about an alliance with Russia, because this war will allow us to free all of the Americas from U.S. domination. We will repeat the feat of liberating the Americas, but this time we will not stop in Venezuela. We will reach you.

"In this connection, they have just stopped the showing of the film 'Z'.

"Despite the OAS vote, we have absolutely no idea of the duration and extent of the conflict now involving England and Argentina. According to the popular saying, it is known how these things get started, but not how they end."

The chronicle is from EXCELSIOR correspondent Raymundo Riva Palacio, who is doing first-class journalistic work over there. His note from Saturday, 15 May, which refers to the Argentine military disaster in the South Georgian Islands, contains elements that cannot be brushed aside if one is seeking to understand what has happened and what may happen to a nation at war when its own army has dishonored its arms.

Riva Palacio describes how the notorious "lizards" returned in defeat to a dock in the port of Buenos Aires, disdainfully returned by the English, who had taken them prisoner.

"This was the face that the Argentine Government did not show," says Riva Palacio, and he speaks of other jealously guarded "images," almost secrets: The rows of the wounded awaiting medical attention in the field hospitals of the archipelago, and desperately screaming: "mama! mama!"

But who are those "lizards," select troops who surrendered almost without a fight in the face of the English in the South Georgian Islands? They are the soldiers hardened in combat against the guerrillas, that is, their own countrymen. How do they become so hardened? Let us read the journalist's chronicle.

"And the combatants on the island are the 'lizards,' veterans of Argentine guerrilla warfare in the Tucuman jungle. They are the 'lizards,' they repeat, whom they recruit as the elite of the armed forces, to whom they give a puppy at the beginning of the training. They must care for the dog day and night, feed it, sleep by it for 2 years, and at the end of that time, in a ceremony before their fellow 'lizards,' where there is no room for sentiments, they must slowly strangle the animal as proof that they have completed the course.

"But today the 'lizards' from the South Georgia Islands were in the port of Buenos Aires. The stories, the atmosphere of triumph and courage and resistance dissolved like a lump of sugar, in the same way that the muddled publicity about what is happening in the Malvinas is dissipating."

The information ought to be supplemented by noting that the frightened soldiers who surrendered without a fight in the South Georgia Islands were under the command of one of those "pathological assassins" who are produced in bunches in the armies of Latin American dictatorships: Corvette Captain Alfredo Astiz, who personally signed the surrender document in front of the English.

Astiz did not return to Buenos Aires. He is under arrest as a criminal and torturer, and very probably he will be turned over to trial in other countries for torturing and killing civilian prisoners in Argentina.

And with all that one recalls what Admiral Antoine Sanguinetti, inspector of the French fleet, said in Paris on 16 April.

He predicted that Argentine forces would not have "the slightest chance" against the British, but more for moral than for military reasons. He said it with these terrible words that recall the best traditions of military honor:

"It is more difficult to kill English commandos than to assassinate women and small children. It is easy to rape and torture, but armies lose their souls that way. To fight on the battlefield requires a certain purity that the Argentine Armed Forces have lost."

'LE MONDE' VIEWS DEMOCRACY PROSPECTS AFTER FALKLANDS CONFLICT

PM091459 Paris LE MONDE in French 6-7 Jun 82 p 4

[Part III of Charles VanHecke dispatch: "Argentina at War III--Everything Has Changed"]

[Text] Buenos Aires--the junta alone took the decision which finally led the country into war. "But it could not pursue that war if it did not have the support of all the Argentines."

The man who said that belongs to the Radical Civic Union [UCR] which is certainly a moderate party but which has been banned by the regime like all other parties and is therefore in opposition. He is not alone in now thinking that the military junta has courted public opinion too much in the past 2 months to be able to demobilize it in the future.

In the future means when the war is finished and when the country may discover that the Falklands were merely an interlude in the crisis it has been experiencing for years.

Hopes for democratization are based on this observation: On 2 April--the day of "reconquest"--the junta launched a process which it can now no longer stop. First it called on the country to celebrate the "regained sovereignty" then to unite in condemnation of the aggressor. It sent politicians and trade unionists to the four corners of the world to explain Argentina's right to the islands. It called on 10,000 conscripts to fight. "What will our soldiers say when they return?" a former minister asked. "That they are 'big' enough to die on the front but not to vote?"

Democratization had been promised before the conflict broke out. Stages had even been fixed. If the promises are kept the junta should put forward, in 1 month's time, a so-called political parties' statute which will define the conditions in which they can resume their activities. It should then call elections for 1984.

But will the promises be kept? The Peronists are asking that question. "The question is how will the military use the atmosphere of national unity which they have created: whether it will be to rebuild the country or to deny the citizens their rights once again," former Economy Minister Antonio Cafiero said.

The 20,000 "Missing" People

So far the military leaders have said they are prepared to follow the timetable fixed. General Lami Dozo, one of the junta's three members and chief of an [as published] air force which has been in the forefront of the fighting, recently made some widely noticed remarks, saying that changes should be made in political life so that "all sectors can participate in it."

Certain circles even think that the parties' statute will be less restrictive than expected. Of course, it is still now known whether it will only allow the National Justicialist Movement (Peronist) whose chairman is still Mrs Isabel Peron, exiled in Madrid, and the UCR, a center-left party.

The military wanted to ban parties whose programs proposed the collectivization of the economy and the dictatorship of the proletariat. "But what will happen to that ban now that the Malvinas conflict is pushing them to adopt an open-door policy toward the East?" a prominent oppositionist said to me.

They had also planned to forbid the various parties to include in their programs an examination of the facts connected with the repression. They seem to have abandoned that.

Nonetheless the repression and the 20,000 people who "disappeared" in it, does not seem to be a priority subject for the politicians we questioned. None spoke to us of what one editorialist calls the country's "collective guilt." Mr Angel Robledo, for instance, who was a minister three times in the last Peronist governments, sated: "There have probably been mistakes and extremes but not to the extent that has been claimed. What happened was contrary to natural law. But the guerrillas too were undermining natural law. The way in which they behaved removes a great deal of the impact of the problem of the people who have disappeared--a problem which is causing more of a stir abroad than here."

The Plaza de Mayo mothers still march round the square every Thursday, their heads covered with white scarves on which the name of their child is printed. The Falklands war is reawakening an old pain in them: other young people are disappearing and dying over there. Is their death not going to wipe out that of the others? Now that the army is "defending the homeland" will it feel obliged to be accountable? The mothers reject those objections. They will continue to demonstrate until they are given explanations about their children.

How will the maintenance of "internal security" be conceived in future? Will the military agree to make it subject to the law to some extent? That is one of the problems raised by democratization, a human rights campaigner told us. There is another: the subordination of military power to political power.

"We do not know whether the army is prepared to accept a regime whose ideology is contrary to its own. When it took power in 1976 it probably thought that it would hand over one day but after establishing a permanent system with

civilians who had the same ideas as it and who would persuade the population to vote for them. The first task it had set itself was to eliminate those who were going beyond what it called the tolerable limits of opposition. It has succeeded in doing that. But since 2 April it has stopped talking about subversion. Moreover its ideology is likely to change."

Indeed since 2 April "everything has been changing," "everything has already changed," according to a young Peronist. The war has probably given the army "prestige" but, according to our interlocutors, it does not justify its staying in power. "The regime has lost its legitimacy for reasons which preceded the conflict and which will reappear afterwards." It has done so primarily because of the economic and social crisis which is ravaging the country.

"The military have pushed an antipeople policy which demanded excessive sacrifices from wage-earners," Mr Robledo said. It is a policy which has been described as "ultra-free-market" but which, according to some analysts like Mr Algaro Alsogaray, was in fact "not really free-market" because it maintained "planned" mechanisms notably in the financial sphere.

During a debate organized by the Radical Party, an academic reviewed 6 years of such a policy as follows: "We are living in a country without industry, without culture, without science and without technology."

The complete open-door policy to foreign goods has ruined industry. "You just have to look at the yellow pages in the telephone directory," an Argentine friend told me. "They are half as thick as before." The factories are only working at 50 percent capacity. An estimated 10 to 15 percent of people are unemployed. Some 1.5 million Argentines have left their country in the past 5 years to seek work in Brazil, Europe and the United States according to the editor of a major newspaper.

The foreign debt has reached \$35 billion, in other words, more than 3 years' worth of exports. Every year the country has to devote half of its export income to pay for the loans it has contracted. In the past few months unemployment in the technical sphere has risen. Some 10,000 automobile workers have lost their jobs.

The European boycott is likely to aggravate that situation. Thus the postwar period promises to be harsh, especially if Argentina is to lose the Falklands. That is why the gradual return to democracy does not seem certain to some of our interlocutors. "Anything might happen," they say. If the British are installed in Port Stanley again they will probably not be prepared to leave very quickly after making so many sacrifices. That very idea strikes the Argentines as ridiculous: "Does Britain really believe that it can stay in the Malvinas forever, as if they were part of its territory?"

CSO: 3100/739

IGLESIAS ROUCO DEFINES EAST-WEST INTERESTS IN CONFLICT

Buenos Aires LA PRENSA in Spanish 7 May 82 pp 1, 5

[Article by J. Iglesias Rouco: "Equivalent Positions--The East and West in the Malvinas"]

[Text] It should not be surprising that, in the midst of the Malvinas [Falkland] conflict and while Great Britain threatens Argentina with invasion of its continental territory, Reagan and Brezhnev are preparing the next "Summit Meeting." Nor need one call attention to the fact that the Western powers have shown themselves to be relatively sure as to the idea that there will be no open intervention by the USSR in the war, as had been pointed out in the United States. From the viewpoint of the new North-South strategic concepts, the Americans and the Soviets, in view of this confrontation, occupy equivalent positions, although Moscow--which has always demonstrated that it has a capacity for reacting faster than Washington in the geopolitical field--is trying to provide grist for its mills as a result of the Falkland conflict.

The intimidation and even the probable intention of Great Britain to extend the war to Argentine continental territory undoubtedly come in line with its certainty as to Soviet behavior in the sense that the USSR will not go into a third world war to "assimilate" and defend Argentina, while the United States likewise will not send its troops to this part of the world to help its British cousins; this moreover is a hypothetical aid which London does not need, not even in the field of military intelligence in view of its permanent access to all of the resources of NATO.

Strategic Rupture

What, then, does this first armed struggle between the planet's "North" and "South" represent for the United States and the Soviet Union or, if one prefers, the East bloc and the West bloc.

Basically, the first physical manifestation, so to speak, of a rupture which has been taking shape for the past 6 or 7 years in the theoretical strategic field and in the economic field, and, along with this manifestation, the first serious crack in its policy of blocs and, in particular, in the ideological and defensive foundations which gave rise to such a policy. Since this phenomenon affects both sectors equally, because it covers all of their internal

or bloc assumptions, it is necessary for both of them equally to check it at least until they manage to consolidate their respective areas not only in the East-West direction but also in the North-South direction. This is their point of coincidence: Both of them are interested in preserving universal "order" or "equilibrium" on the basis of which they develop, while they cannot direct or control the new order which technology and the demands of the space age are in the process of imposing upon the world.

"Limited" Nuclear Conflict

In this context, this first war between "South" and "North" also offers both blocs two attractive opportunities: (1) Study the performance of the new military devices, perhaps not without excluding "nuclear" devices in a "limited" confrontation; (2) measure their effects and those of the "limited" clash on the strategic deployment of the two major worldwide fronts; (3) put into practice the new concepts of "self-defense" and listen to the reactions they cause among the international community. None of these points absolutely clashes with the official silence on the part of the British concerning both "tactical" nuclear weapons which, according to some circles, are being carried by their ships (as a matter of fact, a part of the navy sent to the South Atlantic had those devices at least before the war and nobody said that they had been removed from those ships prior to 2 April); nor does this clash with the idea of "self-defense" officially presented to justify the sinking of the "General Belgrano"; nor does it clash with the semiofficial hints concerning a possible attack upon continental Argentina. Will this "self-defense" persuade Great Britain to bomb the ports on our southern shore? And, in that case, what would be the attitude of the UN and the OAS? And what about Chile? This, in summary, is what has to be figured out and this perhaps is what Great Britain and its allies are trying to figure out now.

NATO Weaknesses

For the moment, the Soviet Union is the one which is getting most out of this war or this proving ground. On the one hand, British operations in a theater of war partly resembling the Baltic, are revealing the naval and air operating procedure of NATO, especially their weaknesses; on the other hand, NATO itself suffered a political blow when one of its sophisticated vessels was sunk, of all things, by the forces of a theoretically underdeveloped country. At the same time--and this is perhaps even more important--the conflict is about to trigger a political crisis in the area of the United States government with more than strategic connotations regarding the USSR. We are of course talking about the weak situation in which Mr Haig finds himself--he of course is the big United States figure in NATO--after his failure of "assistance" and the breakup of the inter-American defense system.

It seems as a matter of fact quite unlikely that Haig could stay in his office much beyond the end of the year. His departure certainly would weaken the current Western strategic setup which is based on a medium-range nuclear missile structure (in practice, rather long-range) about to be installed in Great Britain and other European countries with the warheads pointing at the USSR, a policy which in Haig finds its most significant defender along with

Mrs Thatcher. The difficulties of the United States in Latin America and Europe because of its awkward position in this war finally will accentuate the isolationist trend in the United States public opinion which in many ways is also good for the Soviet expansionist interests. In this connection one must remember that it was precisely in 1975, after the disaster in Vietnam that this tendency reached its peak when the Soviet Union opened up new fronts in Africa and Asia.

Soviet Spoiling Efforts

This is why the Soviet Union is interested in keeping the war going in the South Atlantic because, although it does agree with the United States as to universal "order" and the need for containing the battle in the "South" until the North-South complex can be made to look like the East-West bloc scheme, while at the same time it can also damage its rival and thus achieve final victory in the struggle for the assimilation of the "South." In the light of this perspective, we can understand the latest statements made by the vice president of Cuba in Paris to the effect that his country "is" ready" to provide military aid for Argentina. If we keep in mind that Buenos Aires rejected the East's military support several weeks ago, this statement is only intended to complicate the situation. Yesterday's follow-up reply from the Argentine Government was therefore all the more timely; through Mr Frugoli, it repeated the idea that Argentina does not need that kind of aid. The implicit desire in the harsh, perhaps exaggerated statements against the United States, by Mr Costa Mendez, who however does not rule out the possibility of restoring relations between Argentina and the United States after the war, must also be seen in this light. In any case, his blueprint for getting Argentina back into the West through its integration with the rest of Latin America turns out to be most suitable in fighting Soviet intentions to keep the fire going.

Kissinger's Return

In the United States one can likewise observe, on the other hand, certain signs of a return to Argentina's position. Mr Kissinger, a Republican front man and particularly in favor of the alliance between Washington and London--on the eve of the 1 May attack he stressed that alliance--has just said that the islands will be Argentine within 2 or 3 years and even suggested the mechanism that might make this possible: The United Nations. His close contact with Haig gives these words twice the normal meaning. The end of hostilities, followed by the withdrawal of the fleet and the troops, the entry into the islands of an international peace force, and the question of sovereignty under the safeguard of the General Assembly, whose Resolution 2065, dating back to 1966, favors Argentina--all this, accompanied perhaps by shared administration, adds up to the essence of the plan which is being worked out right now in Washington and which Buenos Aires could accept with certain guarantees.

Intervention in El Salvador?

Naturally, the "return" of Mr Kissinger and, along with it, a greater dose of "flexibility" on the part of Mr Haig or the White House points to other targets which perhaps are more "sensitive" than those of the Malvinas Islands; But the Argentine Government and its allies in Latin America must exploit all

opportunities presenting themselves. As was noted in certain circles, the United States administration has just established an interdepartmental committee chaired by the undersecretary of defense to analyze the implications of military intervention by the United States in El Salvador. The victory of the "right" in that country's elections has created serious problems for the Reagan administration in terms of wiping out or neutralizing the leftist guerrillas. In summary, Washington cannot get along without Latin America for much longer. The Washington trip of Brazilian President Figueiredo--whose government serves the United States in Latin America in absorbing or at least controlling a portion of the "South"--could facilitate both the "return" of Argentina to the West through the Latin American route, mentioned yesterday by Colonel Menendez, and the negotiations on the Malvinas Islands and the reorganization of Latin American relations with the union. At the same time it reflects the serious condition with which Buenos Aires must reckon in handling any kind of policy of situation on the continent, including in the Malvinas Islands.

Caution in Buenos Aires

In view of this situation, the action taken by the country's administration seems marked by caution, in spite of the statements necessitated by the circumstances. In recent hours, it has even been hinted that General Galtieri is displeased by posters that were put up in downtown Buenos Aires, showing a half-destroyed British flag and a call for total war. The new economic steps announced by Mr Alemann also show healthy caution and the strength of the Western orientation in this country, even in time of war. The economic dictatorship, which the warhawks and the populists demand, fortunately is not a part of government plans. In the end, Argentina's doors to the West were not closed, far from it. Nothing could be better if one really wanted to arrive at a solution acceptable to all through those doors.

5058

CSO: 3010/1640

PAPER SPECULATES ON POSSIBLE OUTCOME OF FALKLANDS CONFLICT

Buenos Aires LA NACION in Spanish 30 May 82 pp 6-7

[Text] The End of Simplistic Schemes

While the end approaches, without any results in sight, the 7-day deadline given United Nations Secretary General Javier Perez de Cuellar, to restore a negotiating authority in the Argentine-British conflict, there is a growing impression that current hostilities may drag out for an anxiously undertermined period of time.

The possibility that the Royal Navy might attack Argentine continental territory, not ruled out by the United Kingdom's foreign secretary, plus the dramatic warning on the dangers of an international spread of war, expressed by John Paul II in his letter to the Argentine nation, among other factors, forced vast public opinion sectors to discard any simplistic schemes. The place of the latter is now taken up by a more widespread awareness of the possible domestic and foreign consequences of this clash.

First of all, looking at the scope which the latter may attain, it might perhaps suffice to look at the statements made last Thursday by Foreign Minister Costa Mendez to ABC Television in the United States. The minister said on that occasion that the United States support for Great Britain--already sufficiently proven, according to some sources--could lead to greater cooperation between Argentina, on the one hand, and Cuba and the USSR, on the other hand, countries which "expressed their friendship to us during the toughest period in Argentina's history."

In this context, moreover, the terms of the reply by President Galtieri to Reagan's message on the occasion of 25 May, the harsh reply from Secretary of State Haig during the TIAR [Inter-American Reciprocal Assistance Treaty] meeting, and Argentina's departure from the Inter-American Defense Board during the last days of the week signaled a road from which a return would be very laborious.

In the light of all these many firm data on the current situation, the interpretation of those persons seems to be correct who seek to foresee the country's political future and who are not content with the elements of the situation prior to 2 April but who instead are inclined to think of the inevitability of a new domestic scheme which would essentially correspond to the external profile that has been emerging in fact.

Two Possible Outcomes

First of all, this general situation estimate has some foundation in the steps which--it is not arbitrary to think--might be taken by the Argentine High Command at the last moment concerning two possible outcomes to the conflict.

(1) Keeping in mind that neither of the two belligerent countries needs to stop fighting on its own initiative, it might happen that the international community, possibly due to combined pressure from the United States and the Soviet Union, might force a suspension of the war with subsequent negotiations.

(2) The accentuation of United States support for Great Britain in military terms would not rule out the occupation of the islands by colonialist forces, although at very great cost.

According to the opinion of the spokesmen mentioned, neither of the two outcomes mentioned here would imply a total defeat for Argentina.

The possible loss of reconquered territory would never be followed by an abandonment of the struggle and certainly not the historical claims so that a continuing state of war would be declared. In that case, we would have what in military treatises is called "the nation in arms."

Considering this last possibility, it is said that the damage inflicted so far on the enemy fleet is so great that nobody, at home or abroad, could already speak of a humiliating defeat for Argentina.

Besides, having arrived at this point, it would be necessary to develop speculations without ruling out the possibility of the international spread of hostilities, first in the Latin American context and then worldwide, with the participation of the countries of the East.

Along the Trail of Betrayal

Now, the transposition of those military situation estimates to the national political scene basically points to the discouragement of all conjectures which have been entertained lately concerning the civilian or military transition government, a coalition cabinet, the immediate call for general elections, etc.

"Whatever one might speculate on formulas of this type under current circumstances," one of these sources told LA NACION, "in my opinion is in the realm of treason to the fatherland."

However, that apparently calming comment does not disregard the inevitable development of substantial changes in domestic politics; it anticipates them and it is prepared to assimilate them but it proposes that--regardless of what the future contingencies might be--they must materialize within the current power pattern.

According to that viewpoint, it is false to make a choice between the positive forces for return to institutional government and the forces identified with the negative prolongation of the emergency.

The real alternative would be to institutionalize change or to institutionalize the status quo.

The Leadership We Yearn For

Many elements of judgment indicate that the origin of those ideas must be sought among the highest echelon of the military establishment or perhaps in some of its most visible sectors. But Dr Alberto Asseff in recent days emerged as the unexpected spokesman for that posture; he is the leader of the National Yrigoyenista Movement, a recent conversation partner of Col Pedro P. Mansilla, with a political job in the Secretariat General of the President of the Nation.

Asseff said that the proposals as to a civilian transition or a coalition cabinet recall the proposal made by Sabattini in 1945 to the effect that the government be shifted to the Assembly.

"Opposing new leadership groups," he added, "runs counter to history which clearly shows how the profound changes and the various phases of the nation were given impetus by specific leaders, such as Rosas, Roca, Yrigoyen, and Peron."

According to that theory--which of course is open to much discussion--the attempts to destabilize the current administration and the pressures to limit the conflict, seeking to restrict its effects, would be the proper attitudes of those who want to preserve the status quo.

Approval of Charter

The acknowledgement of this concept not only serves to sustain legitimate suspicions as to the nature of the ways that are being visualized to channel the political energy unleashed on 2 April.

Today, in more immediate terms, it seems a good idea to explain the recent comings and goings around the dates for the approval of the charter by the political parties. Last week, it was explained twice by the Ministry of the Interior that there is nothing to justify a prolonged delay in the promulgation of this legal standard. Although General Saint Jean admitted that one could allow for a minor delay of about a couple of weeks, there was an evident intention quite openly to get away from the dilatory stories which had so openly emerged from other sectors of the administration.

In view of the mood prevailing at this moment, the one thing that is certain is that the work of drafting the preliminary outline has been pursued quite intensely by a team headed by Dr Molina, undersecretary of institutional affairs in the Ministry of Interior, also including officers from the three services who belong to the Political Commission of the Armed Forces.

It is estimated that the task, aimed at precisely reflecting the standards issued at the time by the military junta in those articles, must be finished next week.

The text will then be taken up by General Saint Jean and the three full members of the COMPIPOL [Political Commission], General Iglesias, Admiral Arguedas, and Brigadier Bonino, before being forwarded to the Junta so that the latter may make any necessary corrections in it.

Only after those steps have been taken will the document go to the legislative committee for the sole purpose of checking its juridical-legislative aspects with respect to the rest of the laws in force.

After the process described here, the executive branch will be in the position to make the necessary promulgation.

Combination of Districts

Concerning the contents of this standard, it was determined that it would contain a single requirement for a membership of 4,000 to establish a district party.

To make up national groupings, the membership percentage will not be increased but prior recognition would be demanded in terms of the number of districts which must be considerably larger than the number stipulated in the two earlier charters.

The Illia-Palmero charter required recognition in two districts while the one approved by Lanusse-Mor Roig increased the requirement to five.

The bill which is being studied would increase that number even further so as to comply with the standards issued by the Junta regarding the encouragement of the establishment of few but major political forces.

As for this point, there will be no definition on the ministerial level. The Junta will have to choose between a series of formulas which will be presented to it, with various combinations of large and small districts, totalling 12, including one big one, eight in all, of which three at least would have to be large, etc.

Basically, the districts considered large will be the Federal Capital, Buenos Aires, Cordoba, Santa Fe, Mendoza, Entre Rios, and Tucuman.

The criterion adopted seems equally to allow for the interests of the two groups of parties which constitute the Argentine political spectrum and which have nationwide significance as well as those which do not go beyond the provincial boundaries although their local hold may be strong.

According to the law now being drafted, the provincial parties will be able to form confederations, provided the linkup is made on identical platforms. From this part of the standard springs the idea to strengthen the forces of the center which is capable of shifting the civilian area the issues advanced through the military process that was begun in 1976.

Getting a Hold on the Politicians

One thing is certain and that is that, along with the special features spelled out here, government officials and politicians agree that the charter is a simple instrument whose effectiveness depends only on a prior substantial political accord.

But since there is no specific indication as of this moment concerning the way in which this accord would be worked out in practice, it is not unlikely that the approval of the charter might become a major issue with respect to the road that was being promised before 2 April. Prolonged delay of this step would result in a signal of the opposite sign, undoubtedly.

In the meantime, one must not rule out the possibility that the administration might provide impetus for the establishment--within the next couple of weeks--of a kind of national emergency council, made up of representatives of the principal parties. This body would have only consultative functions and would in no case have decision-making responsibilities; it would offer the advantage of thus in a formal manner providing the link between the military establishment and the civilian establishment. It was learned in this connection that both the political establishment and COMIPOL are studying various ways of implementing this initiative.

Gallino Document

For all of this, the eloquent silence from the majority of party leaders provided the ideal framework for a forceful impact of the statement given the day before yesterday by Gen Bartolome Gallino, Ret., the former governor of the Province of Buenos Aires.

It is undoubtedly odd that, under current circumstances, it is precisely an army man, known to be loyal to former President Viola, both in military and personal terms, who dares speak out to point up some conceptual distinctions concerning the way of working out an overall approach to a wartime situation, particularly from the economic viewpoint.

According to circles connected with him, Gen Gallino submitted his document for consideration by those who were his ministers, with the exception of Dr Lascano who remained in his post, since he is presently a member of the cabinet of Governor Aguado.

In spite of the evident civilian political hue suggested by this prior consultation, the memory of the positions advocated during General Gallino's tour of duty in charge of Military Productions, against the policy contemplated at that time by Dr Jose A. Martinez de Hoz, seems rather destined to refresh the memory of active military status. This at least was believed yesterday in some political circles in Buenos Aires who were sure that General Gallino for the time being did not think of joining up with any civilian force.

However, the statement by the former governor clearly shows the intention of the orthodox fringe of the Viola team to remain before public opinion as a

doctrinaire instance which is politically and economically well differentiated from the other two which put together the process of national reorganization.

Expecting the Pope

On top of all this, political society began to display positive reactions to the coming visit of John Paul II, after some initial untoward repercussions.

The Christian Democratic Party and some sectors of Justicialism of course adopted a leading position as is quite logical. In that field, Dr Osella Munoz came out with a hasty statement drafted by his political chief, Dr Raul Matera.

At any rate, the most enthusiastic preparations for the reception were observed among the intermediate youth organizations which are not connected with the parties and which in some cases are tied to the church.

Groups linked to Catholic Action and the Youth Pastoral [Conference] met recently with representatives of Foundation 21 to organize a meeting which would be called "Expecting His Holiness."

Foundation 21 was constituted recently under the chairmanship of Mr Alfredo Olivera, a former advisor to Lieutenant General Viola, with the participation of youth leaders from the most varied political and professional backgrounds.

5058

CSO: 3010/1640

CHIMORE-YAPACANI PROJECT POSTPONEMENT DECRIED

Cochabamba LOS TIEMPOS in Spanish 16 May 82 p 8

[Article by Roberto Fernandez: "Neglect of the Chimore-Yapacani Highway Project"]

[Text] What is the status of the Chimore-Yapacani highway? Why is this national integration project not being constructed, inasmuch as the financing is available and a Brazilian company has been awarded the contract for the work? These questions are being asked by various sectors of the public, and in particular by the long-haul transportation operators.

The contract for execution of this 150-kilometer project between the localities of Chimore and Yapacani was signed in August 1981 between the Junta of Commanders and the Brazilian Odebrecht Company, for a total cost of \$117 million.

After the contract was signed, and shortly after the announcement was made that construction work on the project would begin on 14 September 1981 in commemoration of Cochabamba's civic festival, irregularities in the contract were discovered consisting of the alteration of 54 of its articles.

It was the president of the republic, Gen Celso Torrelio Villa, who revealed the discovery of the irregularities; however, the office of Comptroller General of the Republic has to date given no further details of the irregularities and has limited itself to ordering the separation of several officials of the National Highway Service on grounds that they were responsible for the alteration of the contract after it had been signed.

Upon learning of irregularities in the contract, many professional sectors suggested that the contract be put out to bid again. The government, however, decided to maintain the contract with the Odebrecht firm and correct the irregularities observed, so as not to cause any further delay in the execution of the project.

Nevertheless, the decision to avoid further delay in carrying out this project (which was planned 7 years ago) produced no results; on the contrary, the delays have continued, in view of the fact that to date construction has not been initiated.

Technical experts of the National Highway Service voiced the opinion that in the event construction of the project--which has financing until the end of this month--is not initiated, execution of the project will be postponed until next year, inasmuch as the rainy season begins in September in the tropical zone of the Chapare, creating a situation which will hinder the progress of the work and force the company to wait until next year.

10992
CSO: 3010/1638

CATTLEMEN PROTEST COMIBOL ILLEGAL MEAT IMPORTS

La Paz PRESENCIA in Spanish 28 Apr 82 p 8

[Text] The Beni Cattlemen's Federation protested yesterday that COMIBOL [Mining Corporation of Bolivia] is buying Argentine and Paraguayan beef that enters Bolivia as contraband.

Assad Simon, president of the federation, said that his organization has information to the effect that Argentine and Paraguayan cattle are illegally entering Bolivian territory for processing and subsequent delivery to the grocery stores of the Mining Corporation of Bolivia.

Simon remarked that this fact has caused indignation among the people of Beni, who are faced with a serious situation because of the floods.

He said that the purchase of cattle from abroad is an attack on the national economy in general and on the people of Beni in particular, because it represents an unnecessary drain of foreign exchange at a time when the nation needs foreign exchange for priority purchases of milk, medicines, and producer goods for industry.

Simon charged that COMIBOL had been purchasing 150,000 kilograms of Beni beef per week to meet the requirements of the mine workers. This quantity, he said, has now been reduced to less than 40,000 kilograms per week, thereby proving that COMIBOL is supplying itself from "other sources" that could be none other "than the contraband beef traffic from Argentina and Paraguay."

Anxiety

The president of the Beni Cattlemen's Federation said that this fact--together with the situation resulting from the disastrous floods--have caused indignation and demoralization among the people of Beni.

He indicated that this sector is faced with the prospect of bankruptcy and is accordingly asking the government to take measures to aid in the recovery of the cattle industry.

The cattlemen are requesting the adoption of a new price policy that would make it possible to cover production costs, in contrast to the situation that has prevailed to date "whereby the cattle industry is being wiped out by its losses."

10992

CSO: 3010/1638

FOUNDRY PROJECT TO BEGIN PRODUCTION IN 1983

La Paz PRESENCIA in Spanish 16 May 82 p 10

[Text] Construction of the lead and silver smelter at Karachipampa, Potosi, is now 45 percent complete, and--according to the most recent official report by the company in charge of the project--this fact insures that production operations can begin during the first half of 1983.

The report--which was submitted to Col Carlos Morales, minister of mining and metallurgy--reaffirms that there will be a guaranteed supply of raw material sufficient for operation of the plant.

The construction work on the infrastructural components--which is 75 percent complete--will be concluded next September. The manufacture of the domestically produced components will be completed next July.

Erection of the plant structures (which is 45 percent complete) will also be concluded in July.

The most important part of the project--installation of the plant equipment--is 22 percent complete and will be concluded in February 1983.

The report highlights--among the infrastructural components being built--a 150-meter chimney already completed by a specialized German company.

Preliminary official reports had stated that the total investment in the project would be \$160 million. The most recent official report indicates that on the basis of the current exchange rate for the German mark and Belgian franc against the U.S. dollar, the investment will come to \$131.7 million. These figures do not include the initial operating capital.

The project will generate an average annual profit of \$11 million and an annual yield of \$124.7 million in foreign exchange.

Domestic financing for the project is provided by the Central Bank of Bolivia. The company in charge of the project is a joint enterprise of the National Foundries Company and the Mining Corporation of Bolivia. The external financing is provided by the German Government, through the instrumentality of the Reconstruction Loan Bank of the German-South American Bank of Hamburg, and by the General Bank Company of the Belgian Government.

Raw Materials

The report states that a final evaluation was made last April of the problem of the supply of raw materials.

This study--which was carried out by an interinstitutional commission and approved by CONEPLAN [National Economic and Planning Council]--"confirms that the facility will have--from the start of production in 1983--the raw materials called for in the plans. It is essential, however, to stress the importance of the execution of the Mina Bolivar project (belonging to COMIBOL [Mining Corporation of Bolivia]) and the responsibility of the state mining enterprise to raise the current level of production in certain mines."

10992

CSO: 3010/1638

BOLIVIA

BRIEFS

SUGAR IMPORTS--La Paz, 14 May--From a country that has been self-sufficient in sugar and a small-scale exporter of that product, Bolivia will reportedly soon become an importer of sugar, if and when the Ministry of Industry and Commerce authorizes the Grocers' Association to purchase 100,000 tons abroad. The importation of this quantity of sugar is allegedly justified by the low world price for the product "and the exaggerated claims of the sugarcane growers regarding increases in the costs of planting and growing this raw material." Augusto Guzman Ampuero, president of the Grocers' Association, said that the legal steps were initiated today to obtain authorization to import the 100,000 tons of sugar. He added that the institution he represents is in a position to import the sugar and deliver it to the consumer at a maximum price of 1,200 Bolivian pesos per quintal, cost and freight included. "This would unquestionably be profitable for the consumer," Guzman Ampuero said, "if one takes into account the pretensions of the sugarcane processors and refiners who--on the basis of a retail price of 2,000 pesos per metric ton--are reportedly now preparing to ask the government for a maximum price of 1,500 pesos per quintal and a minimum price of 1,300 pesos per quintal for their sugar." [Text] [Cochabamba LOS TIEMPOS in Spanish 15 May 82 p 5] 10992

TOTAL IMPORTS DATA--Bolivia's imports during 1980 amounted to \$833.16 million, according to preliminary figures. The countries of the Latin American Free Trade Association exported 27.95 percent of this total. In this region Brazil, Argentina and Peru are of special importance in that they carry on the greatest volume of trade with our country. The United States accounted for 28.47 percent of the value--CIF port--of our imports in 1980. The European Economic Community accounted for 20 percent, and was third in order of importance. Within the EEC Germany's participation was foremost, with \$80 million, followed by Belgium with \$30 million and Great Britain with \$25 million. Another significant region is Asia, which exported to Bolivia 11.98 percent of our total imports--and within which Japan (with \$80 million) was Bolivia's most important trading partner. Lastly, the category of "Other Regions" accounted for 11.33 percent of our total imports. [Text] [La Paz ULTIMA HORA in Spanish 5 May 82 p 4] 10992

CSO: 3010/1638

LABOR LEADERS SEEK ECONOMIC CHANGE, WORKDAY REDUCTION

Sao Paulo FOLHA DE SAO PAULO in Portuguese 1 May 82 p 16

[Interview with six labor leaders whose names and union affiliations are listed in the introductory text matter below: "Leaders Want Economic Change"; date and place of interview and name of interviewer not given]

[Text] Unable to cope with the unemployment crisis, Sao Paulo labor leaders advocate a change in economic policy or a reduction in the workday as a solution to the problem. They claim their hands are tied by regulations governing the right to strike which prevent its use should negotiations with employers break down. They say the red tape required by these regulations can paralyze a trade union about to go on strike. And they favor creation of a Single Workers Federation [CUT].

Unemployment, the right to strike, compulsory union dues and relations of unions with political parties were issues raised by FOLHA DE SAO PAULO with the presidents of the Santos metalworkers union (Arnold Goncalves), the Campinas petroleum-workers union (Jaco Bitar), the Sao Paulo bank employees union (Antonio Augusto de Oliveira Campos) and the Sao Paulo bakery-workers union (Raimundo Rosa de Lima), the vice president of the Sao Bernardo do Campo and Diadema metalworkers union (Vicente Paulo da Silva) and the secretary general of the Sao Paulo metalworkers union (Clemiltre Guedes da Silva). The presidents of the latter two entities (Jair Meneguelli and Joaquim dos Santos Andrade, respectively) are in Japan.

Compulsory Union Dues

FOLHA [DE SAO PAULO]: What do you think about compulsory union dues? Should it be continued, eliminated or revised?

Vicente: As things stand now, compulsory union dues is a source of financial support for the unions. It is not established by the will of the workers, but is imposed by the state, which requires 1 day's pay to be assessed from each worker's salary whether or not he belongs to a union. In the end, the labor unions get only 60 percent and the rest goes to the notorious agents of the Labor Ministry in the



Arnaldo Goncalves, of the
Santos Metalworkers



Jaco Bitar, of the Campinas
Petroleum Workers



Oliveira Campos, of the
Bank Employees



Raimundo Rosa de Lima, of
the Bakery Workers

federations and confederations and to the government itself. It should be abolished. It should be replaced by dues or a means of support agreed upon by the workers in nationwide discussion.

Clemiltre: In the way this forced revenue is now collected and divided, union dues represents a tax the government always looks forward to eagerly. The labor union receives only 60 percent of the total collected and even that is received without any monetary correction for the time during which it was withheld; 20 percent of the total is put into a special account called "employment and wages." The use of this 20 percent has never been satisfactorily explained. It could be used to

create an unemployment fund that would benefit the millions of Brazilians suffering the hardship of joblessness.

Goncalves: Simply eliminating compulsory union dues would create a very serious problem for the labor-union movement. Most labor unions have an unrealistic administrative and welfare structure and the monthly dues of those who belong to the union is equally unrealistic. Labor unions must begin bringing expenditures into line with receipts, reducing expenditures through more austere administration, raising dues and conducting organizing campaigns. If they were to receive sufficient revenue, dues would no longer be a problem and this discussion would be beside the point.

Bitar: It should be abolished gradually in such a way as to permit the unions to free themselves from it and depend upon voluntary dues from the workers. Compulsory union dues forces labor unions to conform. There are entities that exist independently of the will of their members.

Campos: It should be abolished and the way to do this is simple enough: when the labor unions win court cases, the damages assessed can be increased by 30 or 40 percent in the form of an additional fee to be returned to the labor unions. In this way they would be perfectly capable of paying the expenses of their legal departments and business firms would be discouraged from depriving workers of their rights.

'Government, Employers Seek to Divide Workers'

Raimundo: Compulsory union dues should merely be revamped, because within the existing setup the unions, which have no autonomy, could not survive. If it is to be abolished, there must be a new structure, independent of the state and free to raise funds as the unions see fit. Today, for instance, if a union wants to hold a raffle or raise money in some other way, it is restricted by law.

Single Federation

FOLHA: What do you think about organizing a Single Workers Federation (CUT)? What do you think of having a single union?

Vicente: Organizing CUT is necessary to unify the movement. It supports the workers' struggle and transforms trade-union struggles into class struggles. But the CUT must be representative, elected by the rank and file and with a program in harmony with the interests of the rank and file.

Our own trade union has approved the principle of labor-union unity at its three congresses. A single union for each branch of production is a consequence of that principle. However, Brazilian labor-union structure needs thorough-going changes before adopting the single union. In practice, we have several trades within one factory, which complicates union activity. Moreover, in a given region there may be unions with different practices and contract dates, which hinders genuine unity of the rank and file. Whenever there is more than one trade within a plant, the workers should be able to vote for the union that suits them best.

Clemiltre: The government and the employers never tire of trying to divide the workers. But we do not accept segmentation and we will continue struggling for a

strong, united, indivisible union. Union pluralism--rather than a trade-union setup --sounds like division, like weakening the workers' organization. Among metalworkers there are comrades of all political persuasions, but they are all of the same trade and they should all be united in one union.

There should be a CUT. Despite divisiveness, there are issues that could unite the labor-union movement nationally, such as job security, abolishment of the National Security Law and the unified real minimum wage, independent of any political bias.

Goncalves: Workers should have unified leadership and unified command. This requires union rank and file within industrial plants. CUT will be feasible only after strengthening the unions, since to create a CUT today would be to create a bionic organization with no means of survival. A single union is also important because several entities would weaken the labor movement, which is not in the workers' interests.

Bitar: I believe the CUT should be the workers' objective, despite political differences. But it should be developed and discussed by the workers and not result from decisions at the top. There should, moreover, be only one union per trade, although I believe this should result from the consciousness of the workers and not be something established by law.

'CUT Will Be Created Sooner or Later'

Campos: The CUT is necessary and sooner or later it will be created. The single federation is the workers' major objective, but it must never come about by legislative fiat. The state, which has police power, will end up closing down those defeated in the courts. This is what the employers would most like to see happen--that the workers divide themselves debating issues of more interest to political factions, a bad example of which is Europe.

Raimundo: The CUT must exist. It is a way of mobilizing and taking a stand. It should be created by the workers, without interference by the state so that it does not have a collaborationist character. The single union, in turn, gives more strength to the trade union, preventing adoption of different lines of action. And the government would like to keep the various trade unions divided.

Official Recognition

FOLHA: Should unions have to be recognized officially by the state in order to function?

Vicente: The workers should create their unions according to their own interests, independent of the state. The latter, in turn, is obligated to recognize them when they are trade unions.

Clemiltre: To the degree that we work to strengthen our organization, forming many strong and representative factory committees, with demands originating with the workers, the only path for the government will be to recognize the union. The absolute power of the state to grant or annul union charters and elections cannot be accepted by the workers.

Goncalves: The workers should decide about existence of unions, independent of official recognition, although there should be legislation establishing minimum rules. This, however, does not mean interference or a stamp of approval by the Labor Ministry.

'Union Must Be Independent of Parties'

Bitar: The labor union must be recognized by workers in their own occupation, because a union arises from its own struggle. Today there are occupational associations that represent more than the unions.

Campos: Labor unions must be recognized as civil entities, but more important than this is that the workers individually not be subjected to the mockery of facing their employers alone in the labor courts.

Raimundo: The labor union must be recognized by the workers.

Unions, Parties

FOLHA: How do you view relations between labor unions and political parties?

Vicente: The political party must listen to and refrain from being influenced by the union, nor should the union serve as a "transmission belt" for the parties. We must respect the autonomy of the labor union.

Clemiltre: The political party represents one aspect of society. In this, it differs from the labor union, which represents an occupation in which are included workers of various political persuasions. The labor union must conduct political work that is not confined to its own occupation and must relate to other segments of society.

Goncalves: The labor union must be independent of parties. This does not mean that the workers are not to participate politically. But the entity must be independent because the interests of the occupational group are above the parties. All political parties enter a wage campaign because it is in the general interest of the workers. And, in view of these interests, the unions must try to influence all parties.

Bitar: Labor unions must be completely independent from the government and from the political parties. Although not apolitical, the unions must transform the parties into their instruments.

Campos: The idea that workers' party activity should be encouraged to the maximum is growing stronger every day. Workers must never flee from political participation.

Raimundo: The union and the party are both instruments of the workers, but there must be a separation. All the workers participate in their union, but all are not of the same political party. Hence, the parties cannot interfere in the hegemony of the unions. Their relationship is important, however, especially with the parties that are most identified with the interests of the working class.

Right to Strike

FOLHA: How do you view existing regulations governing the right to strike?

Vicente: In practice, I don't see any right to strike. We want an unrestricted right to strike. In the conflict between the employer and the worker, the strike is the great weapon of the workers. We want to meet face-to-face with the employer, without interference by the state (LSN [National Security Law], Strike Law, military force, and so forth) and defend our rights freely.

Clemiltre: To regulate the right to strike is to establish an intolerable supervision over the workers. Unfortunately, the much-discussed "political liberalization" has not yet reached the factories. No worker advocates a strike for the sake of striking. A strike is called because of poor working conditions, low wages, and so forth.

Goncalves: As the constitution says, "the right to strike is guaranteed to the worker." Hence, there should not be regulations which in effect abridge that right.

Bitar: What we have today is an anti-strike law, which should be abolished.

Campos: Current regulations in effect prohibit strikes. Classifying several occupations as basic--banking workers, petroleum workers, teamsters, and so forth--the regulation was intended to give employers the privilege of trying to destroy the labor-union movement.

Raimundo: The right to strike exists on paper, not in practice. It is urgent that current regulations be revised, because the strike is the only weapon the workers have to confront the intransigence of employers. Current red tape requires a process of 30 days to legalize the action. By that time the workers are already immobilized.

'Struggle to Reduce Workday, Avoid Overtime'

FOLHA: What are the solutions for the employment crisis?

Vicente: Reduction of the workday without reducing wages, thus creating vacancies for many unemployed persons. Carry out agrarian reform effectively, thus keeping the worker on his own land and avoiding the great number of unemployed workers from the countryside.

Clemiltre: Since last year we have been "at war" with unemployment. We think expansion of the railway and shipbuilding industries and building of electric buses should be stimulated; civil construction should have incentives; building of many hydroelectric plants should be stimulated, extending low-cost electric service to the countryside and permitting mass consumption of domestic appliances; increase retirement payments; guarantee free education at all levels; job security; and, finally, agrarian reform.

Goncalves: The government should invest in social projects, such as civil construction, infrastructure and transportation, which would create jobs. The problem

requires revision of economic policy, which conflicts with the interests of the nation and of the workers.

Bitar: The recession, which is causing unemployment, was induced, influencing the organization of workers. Today the worker is afraid of losing his job and for this reason is immobilized. Before anything else, I think it is necessary to change economic policy, which concentrates income.

Campos: Each trade union must strive to reduce its workday without reducing wages and also block the use of overtime as a way of preventing new workers from being hired. A significant struggle against unemployment, however, will only be possible with the action of all workers organized in their single federation.

'Strike Law Must Be Revised'

"It is very difficult for workers to conduct a legal strike, in view of the legislation," businessman Roberto Dela Mana asserted yesterday. He is first secretary of the Sao Paulo State Federation of Industries (FIESP) and director of its Department of Labor-Union Cooperation. He advocates revising the current regulations governing the right to strike.

According to Dela Mana, the regulations of the strike law should be revised because "the situation is changing and the laws must be adapted." The strike law, he said, was good at one time, but today "is impeding the workers in their right to conduct just strikes." According to him, a future law must permit workers to conduct strikes "within certain parameters and less restrictive regulations."

Recalling that employers' unions also are supported by compulsory dues collected by the industries, Roberto Dela Mana advocated changes in this institution. He wants the dues to be continued, with its amounts revised. "We also must have strong organizations, but the membership dues is minimal, as it is based upon a table that is related to a firm's capitalization, which is not always up to date."

Union, Party

About relations between unions and political parties, Roberto Dela Mana contends that union entities should be "apolitical and nonpartisan." He said "there cannot be interconnection, even at a distance. Furthermore, I don't think union leaders should belong to a political party when in office because, even as individuals, they could hardly help but have a politically partisan influence."

In that regard, Dela Mana recalled the recent wage negotiations with metalworkers in which, according to him, some leaders connected with a political party campaigned more for positions in the organization than for the interests of the workers.

But he said relations of the unions with the state must remain unchanged. "It cannot be any other way, because it involves the problem of

national security," he stressed, adding that government supervision is still very important. "When we reach the cultural and political development of other countries we will then be able to think of some other way."

Dela Mana is against formation of a Single Workers Federation. "These things must be achieved step by step and under current conditions I don't see how a CUT can exist." He argues that neither Brazilian workers nor their leaders are ready to found a single federation.

In regard to unemployment, the businessman asserted that a long-run solution would be adoption of an industrial policy. At the present, according to him, there is a combined effort by business and government, simply "because the worker cannot help much in this matter." And he praised the latest government measures such as elimination of the Financial Transactions Tax (IOF) in consumer-credit transactions, which will help sales and enable industry to produce more.

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CSO: 3001/155

STRATEGIC MISSILE, OTHER MILITARY MODERNIZATION VIEWED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 26 May 82 p 7

[Article by Roberto Godoy]

[Text] It is a giant 25 meters long and can place a ton of high explosives with a chemical or nuclear charge 3,000 kilometers away. It is a weapon as sensitive as the Soviet SS-5, or "Skean," the only one of that size in regular activity in the world. An alert electronic guardian designed to insure a power of intimidation over potential military adversaries beginning in the 1990's, Brazil's first MRBM (medium-range ballistic missile) is on the drawing boards as a derivative of the VLS (Satellite Launch Vehicle) developed by the Ministry of Air at the Aerospace Technology Center in Sao Jose dos Campos.

It may become, "by the turn of the century, the country's first line of deterrence in the event, for example, of a continental confrontation," according to a former director of the research center, who says that "the question is attracting increasing interest, since events prove that there is an immediate need to be concerned with technological advances that do not involve dependence on other countries."

In the opinion of that officer, who is now in the reserve, "building the national strategic missile does not constitute the starting signal for an arms race; it simply indicates the clear and natural progression of a process that was begun many years ago. And here a warning is in order: Brazil is not the only country in a position to advance in that narrow field. In the South Atlantic alone, government undertakings for a similar purpose are underway in Cuba, South Africa, and Argentina."

Construction of the fantastic military version of the VLS, weighing 10 tons and capable of carrying up to a megaton of explosive charge guided by a sophisticated computer linked to inertial navigation systems, must have been under continuous discussion last week during the successive meetings held at the Ministries of Army, Navy, and Air, the Armed Forces General Staff, and even the Office of the Presidency to analyze the "Malvinas effect," which is interpreted by most of the top officials in each area as an indication of the imperative need to put together a reequipment program.

One point was settled in all the meetings: there will be no procurement abroad. Instead, demand from the domestic production sector will be redimensioned. Today there are 350 firms with direct or indirect ties to the arms industry. Exactly 55 organizations produce 230 different kinds of armament and materiel classified as required by the military. In all, this generates about 25,000 jobs and supports an economy representing about 4 percent of the GNP. That sector was responsible in 1981 for exports on the order of \$1.2 billion--equal to the amount generated by coffee.

In view of all that, is Brazil a powerfully armed country? No. Although it may display the largest critical mass of forces in South America, along with Argentina (see the tables [not included]), Brazil is qualitatively behind in some sectors in comparison with several of its neighbors, which are taken as the reference parameter by the London Institute of Strategic Studies [ISS]. An eminent political scientist in Sao Paulo says: "A curious thing has happened here. Although there have been five military administrations, the government has never applied itself to investing in defense budgets over the past 18 years. It is as though the generals felt some shyness about advocating what could be interpreted as their own cause."

The Mobilization Law is still in effect, however. That legal instrument makes it possible to ban any stoppages on production lines, requires the manufacture of specified items, and guarantees a margin of safety in relations with private enterprise. Brazil's reequipment is being put together essentially on the basis of that structure, with specific priorities being provided. In the army, a new "family" of tracked armored vehicles based on a 30-ton basic tank is the priority. In the air force, it is continuation of the binational program with Italy for the production of the AM-X tactical fighter plane, including a naval version. And the navy is continuing with the project that will result in 12 corvettes and 3 submarines.

Scientist Admits: Secrecy Is Difficult

Construction of the Brazilian strategic missile is not just an exercise in speculation. Actually, that goal of the reequipment program for the medium term--1995--will first require an intermediate stage involving the transformation of several generations of scientific rockets, exactly as is happening throughout Europe. This is the case, for example, with the SS-40 and SS-60, the largest configurations in commercial production in the so-called Third World. They are being produced in Sao Jose dos Campos by AVIBRAS Aerospace and are based on derivatives of the space probe produced by the CTA [Aerospace Technology Center].

The next member of the family in the regular line of rockets will be Sonda IV, which is still in the stage of technical specification. On the basis of Sonda IV, experts at AVIBRAS intend to create a weapon in the same class as the U.S. Pershing II, with a range of between 300 and 600 kilometers but carrying a conventional 300-kilogram warhead. The missile would stand 10 meters high and include a medium-scale, but basic, guidance system.

The large long-range missile is, however, an obvious carrier for nuclear weapons. One military scientist admits: "But it would be difficult for us to keep an effort of this size secret," and he recalls that Brazil is escalating its training of personnel "so as not to be taken by surprise in case of necessity."

That would explain the purchase, under the sponsorship of the scientific research agencies, of a huge computer which is reportedly being fed with all the available information on nuclear technology--both for the construction of reactors to generate electricity and for the bomb. The researcher recalls: "That same path was followed by Argentina in the 1970's, with results that we know nothing about." In Brazil, however, a considerable distance on that path remains to be covered.

Physicist Rogerio Cesar Cerqueira Leite of UNICAMP [Campinas State University] feels that "with some corrections, the mastery of engineering, materials, and physics in general is already at satisfactory levels, to tell the truth. But we still need to acquire certain knowledge that is difficult to piece together, although it is not really a secret--in the area of chemistry, for example."

He feels that "by ourselves, we could produce a nuclear device in 10 years. But that time frame is based on a strategy that does not provide for calling in people from outside, as happened with the Manhattan Project, which resulted in the start of the atomic era in 1945. If we followed that pattern and brought specialists together--and there are many who are willing to join in an undertaking of this kind--the Brazilian bomb could be produced in 1 year, or 2 years at most."

That position was also supported by physicist Sergio Porto, now deceased. He called for the formation of an interdepartmental group to establish what he regarded as the "artificial sun of security." Porto, who was also connected with UNICAMP, was involved in a project to obtain heavy water very rapidly by the use of laser beams.

Aircraft, Tank, and Corvette

Comparatively speaking, according to the ISS of London, Brazil is behind Argentina, the continent's strongest force, in firepower, and it is in serious difficulty when it comes to competing qualitatively with the equipment available in countries such as Bolivia, Chile, Ecuador, Venezuela, Peru, and Cuba--the two last-named countries being heavily armed by the Soviet Union.

That finding is now forcing us into a consistent, cheap, and permanent program that has three sectoral priorities with a considerable multiplier effect--that is, in the wake of each of them there will arise miscellaneous subactivities which, in turn, will give rise to others. By ministry, that chain is structured as follows:

The FAB [Brazilian Air Force] is pursuing the broadest and most proven mechanism for replacing its equipment with materiel produced by national technology. Rockets, bombs, and practically all of the FAB's fighter planes--the exceptions

being the F-5E's and Mirage III EBR's--are built by EMBRAER [Brazilian Aeronautics Company] (aircraft) and AVIBRAS (weapons). Both firms are in Sao Jose dos Campos.

Pressured by a demand for low-cost equipment that would nevertheless have characteristics permitting it to incorporate an extensive performance "envelope," the Ministry of Air chose the AM-X, a high-performance subsonic jet which was designed in Italy by the Aeritalia-Aermacchi consortium but which will be built by EMBRAER. A splendid war machine, it is small, deadly, and invisible to radar. Using an advanced ECM [electronic countermeasures] system, the AM-X is literally invisible to radar.

The aircraft measures 13.6 meters in length, has a span of 10 tons [as published], and is 4.6 meters tall. It has a maximum weight of 12 tons and carries 3,800 kilograms of external weapon stores. Range: 1,200 kilometers without drop tanks and 2,000 kilometers with extra fuel reserves.

Described as an "interdiction or ground attack fighter-bomber," it will be able to carry a broad variety of missiles, bombs, and rockets, all Brazilian made. In computer simulated tests in November 1981, the AM-X was considered the world's best in the 400-knot category (740 kilometers per hour) because of its acrobatic capabilities.

The Brazilian Navy wants to equip the aircraft carrier "Minas Gerais" with that aircraft and has asked EMBRAER (the Brazilian partner in the binational agreement) to conduct studies for a naval carrier-based version with folding wings, arresting hook, and catapult point. That configuration will perform better than the French Super Etendard fighter purchased by Argentina, in the opinion of engineer Giorgio Danielli, director of Aeritalia, who points out:

"The Etendard is slightly supersonic, but to achieve that, it had to pay a high price as regards range and the weight of the load under its wings. The AM-X is almost supersonic, and that is an advantage, since it can go farther and carry more weight." In a combat situation, there is no difference: both planes would meet their adversaries at speeds of just over 600 kilometers per hour. Brazil is going to buy a minimum of 80 aircraft at \$7 million each--a third of the price for any of the first-line fighter planes available on the market. The AM-X will be operational beginning in 1987, but there is a possibility that the schedule can be shortened.

Military Studying Alternatives

The private staffs at the Ministry of Army are permanently engaged in studying a broad spectrum of alternatives for the modernization of war materiel. Some of it stays "on the burner" for some time, as is the case with the 30-ton medium tank, which this week came to be considered a priority. A production proposal formulated by the Bernardini-Biselli-New Traction consortium involving the tank provisionally called the X-30 is working its way through channels. This is, in theory, a very advanced solution that incorporates all the most sophisticated technology in that sector, including electronic systems from the German Leopard-1 tank, once an aspiration of the Brazilian military.

The fine steels to be used in the suspension system will meet the same stiff critical requirements as those adopted for the Abrams XM-1, the newest super-heavy battle tank for the United States. The X-30's artillery consists of a rapid-firing 105mm gun that fires ammunition at velocities exceeding 1,500 meters per second, with a NATO 7.62mm coaxial machinegun and a Browning P.50 antiaircraft gun in the turret. Very flexible, the vehicle will have a modular chassis to permit various versions, including ambulance, troop transport, workshop, missile carrier, or forward command post. About 90 percent of the content will be produced in Brazil. Range: 1,000 kilometers. Maximum speed: 80 kilometers per hour. Probable price: \$1.5 million.

Although those specifications are being adhered to by the army, the manufacturer has not yet been selected. According to sources in the ministry itself, the powerful ENGESA (Specialized Engineers, Inc.) is reportedly prepared to compete by submitting a plan and entering the field of tracked combat vehicles. ENGESA currently deals in the most recent version of the Cascavel EE-9 combat vehicle, the Urutu EE-11 amphibious vehicle with its 90mm gun (like the EE-9), and the Jararaca EE-3 reconnaissance vehicle.

Navy

While redefining the type of submarine it will produce in Brazil, the navy already has a well-prepared modernization program under development. It is the "Corvette Project," and its purpose is to equip the navy with a force of 12 powerful vessels (four are already in the process of being contracted out) that will be intermediate in size between the frigates and the smaller vessels, but with sophisticated electronic equipment. They should remain in service until the year 2000.

Technical data: Length: 85 meters; beam: 11.4 meters; draft: 3.4 meters; displacement: 1,660 tons; range: 1,000 nautical miles; combat speed: 25 knots; crew: 112 men; armament: 76mm rapid-firing gun, surface-to-surface missile launcher, torpedo tubes, and a helicopter equipped for antisubmarine warfare; propulsion: gas and diesel oil engines (four); price: \$80 million. Local content is broken down as follows:

	<u>Percentage</u>
Hull fabrication materials	100
Propulsion systems	up to 80
Generation and distribution of power	90
Communications and control	50
Auxiliary systems	90
Finishing materials	10
Weapon systems	20
Work force	100

IMBEL Produces 34 Basic Items

The Federal Government established IMBEL (Ordnance Industry) in 1975 to "organize the industry in this country." The state-owned firm controls seven factories (in Wenceslau Braz, Piquete, Andaraí, Juiz de Fora, Mage, Rio de Janeiro,

and Itajuba) and lists 34 basic items as being "customarily produced in Brazil." They are the following:

Automatic pistols: 9mm and .45 caliber, for personal defense.

Automatic rifles: 7.62mm, used as personal weapons by fighters.

Automatic rifles: 7.62mm, a special "Paratroop" type for use by paratroopers.

Submachineguns: 7.62mm, for use in support of action by combat groups.

Hand-held machineguns: 9mm, for special missions.

Heavy machineguns: 50mm, for low-level antiaircraft defense and defense against unarmored or lightly armored vehicles. They can also be used against infantry troops.

Recoilless guns: 57mm and 106mm.

Guns: 90mm, for tanks.

Mortars: 60mm, 81mm, and 120mm.

Rocket launchers: 2.36mm and 3.53mm.

Multiple rocket launchers.

Smoke bomb launchers for installation on tanks.

Ammunition for infantry weapons of various types and calibers: 5.56mm, 7.62mm, 9mm, and .45 and .50 caliber.

Ammunition for guns of the following calibers: 20mm, 37mm, 57mm, 75mm, 90mm, 105mm, 127mm, and 155mm.

Ammunition for mortars of the following calibers: 60mm, 81mm, and 120mm.

Rockets: 2.36" and 3.5" caliber, with firing devices.

Hand grenades, offensive type.

Hand grenades, defensive type.

Hand grenades, offensive-defensive type.

Rifle grenades (antipersonnel).

Rifle grenades (antitank).

Antipersonnel mines.

Antitank mines.

Pyrotechnic and signaling devices.

Binoculars, telescopic sights, theodolites, goniometers, compasses, image intensifiers for night vision, and laser rangefinders.

Telephones and radios for combat operations (FM and VHF).

Wheeled armored vehicles and light and amphibious tanks.

Metal bridgelaying vehicles.

Special powder for firing without flash or smoke.

Gas masks and steel helmets.

Artillery rockets: 70mm, 108mm, 127mm, 180mm, and 300mm.

Fragmentation and incendiary bombs.

Wire-guided antitank missiles.

Only Country With its Own Technology

Every time an equipment priority is decided on, it generates a number of benefits. For example, in specifying a gun to be used on its corvettes, the Ministry of Navy sets off a process that eventually produces naval artillery pieces for export, ammunition, optical systems, and new techniques in metallurgy. That is the main benefit of the incentives given to the national defense industry. The result is that while Brazil is apparently on the same level--in certain areas--with other forces on this continent, it is in fact the only country that does not depend on imports of technology and can, in wartime, set a vast specialized production sector in motion. In the rest of South America, the picture is completely different. Argentina bought "packages" from France and Germany for the production of medium armored vehicles and corvettes. As a result of the embargo declared by the European Common Market, and confronted by the conflict with Great Britain, it now has no place to buy replacement parts. Peru continues to have the most modern combat air force, with supersonic Sukhoi 22 Fitter, MiG-21, and Mirage III supersonic fighters. It recently reactivated its army and air force base in the region between Arequipa and Tacna, which was built by Juan Velasco Alvarado in 1974 as a home for Soviet T-55 and T-62 tanks and a number of airplanes. Ecuador has purchased supersonic Jaguar fighters and wants a squadron of vertical-takeoff Harrier SP's. Colombia, Venezuela, and Chile intend to acquire the modern Mirage 2000. The Caracas government has just received the first units of the U.S. F-16 superfighter, with its superiority in the air--it is considered one of the three best in the world in its category. The continent's five major countries excluding Brazil (Argentina, Colombia, Ecuador, Chile, and Venezuela) are investing about \$75 million in various kinds of armament. The FAB, while waiting for the AM-X, is going to begin a process of electronic modernization on its Mirage III's and F-5E's.

In the opinion of analysts, that investment does not signify an arms race. For an arms race to occur, the level of investment would have to exceed any other levels in a country's national budget, and that is happening only in Central America--in El Salvador and in Nicaragua, which is still paying off bills left by former President Anastacio Somoza. Even in Argentina, although it has been gearing up for the war in the Falkland Islands for at least 2 years (with most experts expecting an offensive in the area of the Beagle Channel), the \$15 billion in debts contracted with arms suppliers are so spread out--over periods of up to 18 years--that the multiannual budget adopted since the military took power limits the amortization of that debt to about 6 percent in each fiscal period.

Purchases in South America are made at a very slow pace and in small quantities. That was the case with the Exocet missiles, which were suddenly raised to the status of electronic heroes. The Brazilian Navy has four Niteroi-Class frigates equipped with that weapon--and Argentina is cooperating with the FAB in a study aimed at converting its launcher to an airborne configuration, perhaps to be carried by the supersonic F-5E International Fighter. The number of units available in the arsenals is, however, a strict secret. But there are a lot of them--it is hard to believe the report that Buenos Aires had purchased only six Exocets--that is an unacceptably low order. There are complicating factors in the story, such as the report concerning interference by Israel, whose advisers supposedly were responsible for the effectiveness of the fatal firing on the "Sheffield" and whose compensation from the grateful recipient of that favor is supposed to be the sale of a certain number of supersonic Kfirs.

11798
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'MINAS GERAIS' AIRCRAFT CARRIER TO HAVE AM-X PLANES

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 26 May 82 p 8

[Text] When Minister of Navy Adm Maximiano da Fonseca announced last week that it was necessary to equip the aircraft carrier "Minas Gerais" with modern jet fighter planes, he was not really saying anything new. The studies on that subject have been underway for some time in cooperation with the Brazilian Air Force [FAB], and procurement of the new jets for the aircraft carrier will in no way signal a resumption of the spectacular quarrel over the possession and control of aircraft that dragged on between those two services throughout the administrations of Kubitschek, Quadros, and Goulart. The crisis was not resolved until President Castello Branco settled it in 1965.

Under the terms of Decree No 56,309 dated 21 May 1965, the jets are to belong to the Brazilian Air Force. But they will come under the navy's control when they are on operations. Also under a decision by President Castello Branco, the fleet has had its own helicopters since 1965, including Sea Kings--the same type that has now gone into combat in the Falkland Islands.

The "Minas Gerais" is a veteran of World War II. Great Britain sold it to the Brazilian Navy in the 1960's. It is a light aircraft carrier (15,000 tons). In 1977 the navy faced the following dilemma: to deactivate the ship or spend money to modernize it and add another 10 or 15 years to its useful life.

The decision was made to modernize it, and by the end of 1980, the "Minas Gerais" was ready with modern electronic equipment, positions for the mounting of missile-launching pads, and hydromechanical lifts.

In Brazilian naval strategy, the aircraft carrier is responsible for antisubmarine warfare in the South Atlantic area. For that purpose, it has been equipped since 1960 with seven S-2 Tracker aircraft. Those planes, which are excellent for antisubmarine warfare, are built by Grumman of the United States and are used by the U.S. fleet as well. They can also be used as nuclear carriers for launching the Mk-101 depth bomb. The "Minas Gerais" also has four Sea Kings.

But the conflict between Great Britain and Argentina over the Falkland Islands seems to have accelerated the revision of strategic and tactical plans by the navy and air force. The new duties to be assigned to the aircraft carrier--

making it also a strike carrier and not simply one for antisubmarine warfare--now include the equipment option as well. The new jets will not have to be acquired abroad. All that is needed is to amend part of the binational cooperation contract between Brazil and Italy to allow construction of the AM-X advanced fighter-bomber (Mach 0.9). Scheduled to go into service in 1987, that aircraft will replace the F-104 jets now used by the Italian Air Force. It is the first of its category to be designed to play an important role in a modern war. It carries 3 tons of armament under its wings, has a 30mm gun, and has a range of 2,000 kilometers. Its electronic countermeasures will make it invisible on radar screens.

The naval version (folding wings and a "ski-jump" for catapult launchings) was designed at the request of the Italians, who will use it on their first aircraft carrier, still under construction. The amended agreement calls for converting part of Brazil's share of the planes to the naval version with no change in the contract prices.

The addition of those planes would increase the capacity of the "Minas Gerais" to 16 airplanes and 4 helicopters: 10 AM-X's, 6 S-2 Trackers, and 4 Sea Kings.

Crisis

From the time it was bought from Great Britain until 1965, the aircraft carrier was a constant and touchy problem for the Federal Government. The navy claimed from the start that it should have its own naval aircraft, but was turned down by the air force. On the basis of a decree dating from the 1940's, the air force claimed to be the only branch authorized to operate fighter planes. The admirals countered with the argument that all modern navies have their own naval air force.

The quarrel dragged on during the rest of President Juscélino Kubitschek's term. Janio Quadros paid almost no attention to the matter during his 7 months in office. Goulart evaded the issue, and the problem was eventually solved by Castello Branco in 1965.

The first president after the revolution had to face several crises, however, such as the resignations of two ministers of air (Nelson Freire Lavanere-Wanderley and Marcio de Sousa Mello) and one minister of navy (Adm Ernesto de Mello Batista).

The navy at that time had T-28 and Pilatus aircraft, but since they were not recognized by the FAB, they were officially regarded as "unidentified objects." The presence of those planes on the "Minas Gerais" during Operation Unitas in 1964 heated up the dispute, and there were incidents: at the Tramandai Base in December, a navy helicopter was allegedly damaged by FAB officers.

Resolution of the crisis began when Gen Eduardo Gomes was appointed minister of air and Adm Paulo Bosisio became minister of navy, and the issue was finally resolved in May 1965: carrier-based aircraft would belong to the FAB. But they would come under the navy's command while on operations. That arrangement will also apply to the new jets.

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GENERAL STAFF EXAMINES INDUSTRIAL MOBILIZATION PLAN

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 26 May 82 p 8

[Excerpt] Brasilia--The Armed Forces General Staff [EMFA] is examining "with careful judgment and great sensitivity" the Industrial Mobilization Plan, a secret document which is still being drafted and which will lay down the policy for mobilizing Brazilian industry in the event of a war situation.

About 2,000 units in civilian industry are listed in the document as being capable, if the country should pass from a situation of peace to one of war, of producing thousands of military items for supplying and replacing materiel used by the army, navy, and air force, establishing stockpiles, and obtaining strategic raw materials for domestic consumption and export.

The document is the result of studies that have been underway for several years at the EMFA. It fits in with the industrial policy established in the Third National Development Plan and includes military, political, economic, and social aspects. Cooperating in the studies are the individual armed services and the National Confederation of Industries, which recently reactivated its Industrial Mobilization Coordinating Group. That group comprises the Permanent Industrial Mobilization Groups (GPMI's) of the affiliated federations, among them the Sao Paulo State Federation of Industries (FIESP).

Mobilization

Although industrial mobilization is not being considered at the moment, the matter is arousing special attention as a result of the recent debates concerning the need to reequip the armed forces--which would be one aspect of mobilization. On a wider scale, mobilization covers several items, but reequipment is concerned only with the specific needs of each branch of the service.

The country's mobilization in case of war would not be limited to the industrial area. It would also extend to the military, economic, psychosocial, and political sectors. The purpose of economic mobilization would be to locate and secure sources of production for obtaining the articles to be manufactured. Psychosocial mobilization activates public opinion and the basic civilian organizations, and political mobilization is concerned with the internal situation and international relations.

A clear example of this is Presidential Decree No 83,600/79, which makes the army responsible for mobilizing ground transportation in case of emergencies or war. That assignment led to establishment of the Army Transportation Committee, whose purpose at the federal level is to formalize the necessary links with departments in the other branches of the service, with related agencies in the civilian administration, and with private bodies so as to deal with matters related to the mobilization of transportation.

11798

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UNEMPLOYMENT DECLINES IN SIX MAJOR CITIES IN APRIL

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 May 82 p 26

[Text] Rio de Janeiro--Unemployment rates in the nation's six major metropolitan regions fell during April, in comparison with the same month last year. This results from the fact that government policy is directed toward reducing unemployment and also because Brazil's economic situation has improved, it was announced in Rio last evening by Jesse Montello, president of the Brazilian Institute of Geography and Statistics (IBGE) Foundation.

The sharpest drops in unemployment were recorded in the metropolitan regions of Salvador (down 2.92 percent) and Belo Horizonte (down 2.48 percent) which, together with Rio de Janeiro (down 2.01 percent) were the lowest in the last 15 months, which is since January of last year.

Changes in aggregate rates of unemployment in April, compared with those for April 1981, are shown below:

<u>Metropolitan Region</u>	<u>Percentage</u>		
	<u>1982</u>	<u>1981</u>	<u>Difference</u>
Rio de Janeiro	6.93	8.94	-2.01
Sao Paulo	6.45	7.78	-1.33
Porto Alegre	5.95	6.48	-0.53
Belo Horizonte	7.21	9.69	-2.48
Recife	8.29	8.97	-0.68
Salvador	6.86	9.78	-2.92

Unemployment, as a percentage of the work force, among persons who had worked previously--hence excluding those seeking work for the first time--was as follows in April, compared with the same month of 1981:

<u>Metropolitan Region</u>	<u>Percentage</u>	
	<u>1982</u>	<u>1981</u>
Rio de Janeiro	5.96	7.62
Sao Paulo	5.79	7.05
Porto Alegre	5.24	5.60
Belo Horizonte	6.29	8.49
Recife	7.02	7.31
Salvador	5.50	8.14

Unemployment rates representing persons who were looking for work for the first time were:

<u>Metropolitan Region</u>	<u>Percentage</u>	
	<u>1982</u>	<u>1981</u>
Rio de Janeiro	0.97	1.32
Sao Paulo	0.86	0.73
Porto Alegre	0.71	0.88
Belo Horizonte	0.92	1.20
Recife	1.27	1.66
Salvador	1.36	1.64

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GALVEAS ADMITS CONTINUING EXPORT DECLINE DURING MAY

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 May 82 p 25

[Text] Rio de Janeiro--Finance Minister Ernane Galveas acknowledged yesterday in Rio that Brazilian export receipts will continue to decline during May, just as they did during April. This forecast prompted him to assert that "we are now approaching the middle of the year and it looks like exports and imports will not reach the levels of the most optimistic assumption of our study for the National Monetary Council at the end of last year."

The hope that the nation's trade balance will close the year with a \$3 billion surplus is still nurtured by Galveas, who recalls that "it continues to be a useful exercise to assume that imports will continue falling 15 percent and exports, 7 percent."

Aware that May's outcome will not be very favorable to Brazil's exports, the finance minister asserted that "we will continue working hard and calling upon exporters to travel abroad and make contacts to expand markets for our products. We are not going to interrupt that work just because there is a lower level of exports or imports."

Galveas also admitted the possibility of the current policy for monetary control being jeopardized by the growth of imports should the economy pick up in the second half of this year. He recalled, however, that on other occasions Brazil had economic growth without increasing imports, as occurred in 1956-61 and 1975-78.

He also denied that recent soybean purchases from Argentina in keeping with the product's international price decline can compromise the government's goals for its foreign-trade policy. He added that such purchases were made in sectors where the government is no longer intervening and are thus now the complete responsibility of private enterprise.

Budgets

The idea of unifying the fiscal and monetary budgets was again criticized by the finance minister, "because it doesn't make sense," since the greatest concern is to include in the federal budget responsibility for some programs that have much more fiscal than monetary significance. He considered it preferable to finance special programs, such as PROALCOOL [National Alcohol Program] or for the Northeast, with

fiscal resources derived from tax revenues, because they are not inflationary, rather than by issuing currency or selling Treasury bonds in the open market, which generate inflation.

Galveas admitted that the "social contribution" of 0.5 percent to form the Social Investment Fund (FINSOCIAL) could lead to a "cascade effect" (multiple impact) in some cases. He also said the new tax does not preclude the possibility of the government's taxing the banks' windfall profits, although these institutions contributed 5 percent of their profit to form FINSOCIAL.

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CSO: 3001/155

TECHNOLOGICAL EXCHANGE ACCORD SIGNED WITH LIBYA

Brasilia CORREIO BRAZILIENSE in Portuguese 24 May 82 p 4

[Text] Cesar Cals, Brazil's minister of mines and energy, and Kamal al-Maghur, Libya's oil minister, signed a protocol yesterday to create technological exchange between Brazil and Libya. At the same time, BRASPETRO [Petrobras International, Inc], Petrobras subsidiary, is assured an increased number of oil explorations on Libyan territory in an amount to be decided shortly. The document also opens the market to private domestic firms that produce equipment for the petroleum industry.

Moreover, the businessmen--who will go to Libya in July to hold the first discussions for this purpose--will conduct personnel training to develop human resources, it was decided by the two ministers. Discussions began Saturday evening, when Cesar Cals had a 45-minute working meeting with his visiting colleague at his official residence, attended by the ambassadors of Libya, Algeria and Kuwait, BRASPETRO Vice President Joel Renno and private businessmen.

After the conversations, the mines and energy minister said the meeting represented the Brazilian intention "to demonstrate the people's hospitality to a minister from a friendly country," saying he was pleased when he heard Kamal al-Maghur say he had not come to Brazil and Rio de Janeiro "as a man who is selling oil." And he added: "Your Excellency is here as the minister of a state that seeks to open new avenues of cooperation in the area of training manpower as well as in furnishing services and equipment." Cooperation between the two nations, said Cesar Cals, signifies an increase of exchange between nations that desire to balance their respective development not in order to compete but to demonstrate that the right of each nation to develop is legitimate.

According to the Brazilian minister, "each nation must solve its problems with its own resources," and there are "many similar characteristics between Brazil and Libya, as we have regional and interpersonal inequalities." For example, he said, Brazil lacks capital, making it necessary to create 1 million jobs per year, for which reason it has chosen simpler technologies, since the more sophisticated ones do not generate employment.

And he concluded: "If these sophisticated technologies are not absorbed completely, it will increase technological dependency. Our simpler technology is what we are supplying to Libya, as in the area of petroleum we have a long way to go together, as well as in the service sector and supplying equipment made in Brazil."

In reply, Minister Kamal al-Maghur said "our relations will be increased, not temporary relations but long-term relations. In Brazil, Libya's intentions are not to buy and sell petroleum, but they are infinitely broader." The visiting minister later added: "I agree with Your Excellency that relations between North and South must not be used for confrontation but for cooperation and development."

BRIEFS

PCDOB COMMENT ON LULA--Salvador--The national leader of the Communist Party of Brazil [PCdoB], Joao Amazonas, asserted in Salvador yesterday that the Workers Party [PT] and Luis Inacio da Silva ["Lula"] "are today the government's major allies. I don't know how permanent it is," he said, stressing that this is due to "Lula's political narrow-mindedness, which places party interests above those of the community." Joao Amazonas reaffirmed that the PCdoB communists will support all the PMDB [Brazilian Democratic Mobilization Party] candidates for major office, "even knowing that many of them are not sincere democrats," he acknowledged, "but they are within the general framework and therefore must be supported." It can wait until after the elections, he said, to "try and make such opposition candidates responsive to the interests of the community." He mentioned the candidacies of Roberto Santos in Bahia and Miro Teixeira in Rio de Janeiro, defending the oppositionist character of both and arguing that despite their having served the regime, today "no one can say with a clear conscience that they are not opposing the government." He said such alliances show that a new political alignment is emerging in the nation. The PCdoB leader believes the November elections will have the character of a plebiscite and will represent a confrontation between the PMDB and the PDS [Social Democratic Party]. "It is regrettable that the PT, by putting politics first, has not understood this character and is aiding the government by diverting votes from the PMDB." [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 May 82 p 2] 8834

CSO: 3001/155

LLERAS RESTREPO: COMMISSION 'FORCED TO RESIGN'

Botoga EL TIEMPO in Spanish 18 May 82 pp 1-A, 2-B

[Editorial by Former President Carlos Lleras Restrepo: "On Peace"]

[Text] Yesterday, former President Carlos Lleras Restrepo gave the press the text of the next editorial in NUEVA FRONTERA, entitled "On Peace" in which he explained his work in the Peace Commission which ended with the resignation of six of its members. Here is the text of the editorial.

During the months the Peace Commission was in operation, I did not want to make any statements to the newspapers, on radio or on television. And I strictly refrained from trying to get any political mileage for me or for the liberal movement, with which I sympathize, out of what might have been achieved, if something had been worked out, on the matter of the country's pacification. I broke my silence only on two occasions when I sent the announcement of 23 March out of a simple desire to explain to public opinion what the commission's functions were and, more recently, in addressing the Rotary Conference of Cali which invited me to present a lecture on the topic "Peace, Understanding, and Faith in Colombia." The national government, the Armed Forces, my fellow members on the Commission, and even the subversive groups are only too familiar with my discretion and patience and my loyalty to the administration as well as my opinions and these do not always agree with those of the administration. I have proposed, and the administration had agreed, that the commission should have the job of drafting tentative recommendations and it was always my understanding that, if some of those recommendations were not accepted, then I would not have the right, nor would the remaining members of the commission have the right, to make our disagreements public. This is what I did, for example, with respect to points which are very important to me, such as the desire for maximum guarantee for the respect for human rights and also regarding other points concerning the extent of the amnesty. I never denied the administration's right to dissociate itself from the Commission's recommendations or the recommendations made by a majority of the Commission simply because that is not the way I saw things and that is the way the administration viewed the situation. Besides, when I proposed that the Commission be established, I had no desire whatsoever to get myself appointed to it as chairman; I was not trying to create any disputes in the handling of the delicate public order problems but rather I wanted

to help find a reasonable solution to them. With the gracefulness which I thank him for, the president of the republic in private and in public recognized the clarity of my conduct and the various political groups did the same thing, although I have reason to consider to be rather offensive the tone of the memorandum through which the Conservative Directory made its opinions known to the administration concerning the procedure proposed by me in advancing firmly toward the country's pacification. I said as much during the 11 May meeting held in Narino Palace.

I am not sorry for any steps I took, by myself or together with my fellow members on the commission; I do not want to make any complaints or start a bitter debate. But I did think that some explanations are necessary because the problems of peace, of the state of siege, and of the Security Statute continue to be very much with us and I agree with Mr Turbay to the effect that efforts to work out solutions through means other than simple repression must be continued or revived even though the commission found itself forced to resign. With a certain air of disdain toward us, this was also accepted by Defense Minister Camacho Leyva, my former student at the Law School. The arrogance of his televised statements does not bother me, nor does it make me doubt his patriotism. He must have spent many hours figuring out arguments to show that the administration was unable to take certain pacification measures through decrees involving a state of siege or to issue safe-conduct passes which would permit the Commission's members to do their work of persuasion among the subversive groups. The timely disclosure that the Supreme Court, by a majority, did not accept his radical ideas made it useless to continue a Byzantine legal dialog between him and me.

It was the national government--and this is the way it had to be--which turned over to the public the text of the recommendations approved by the commission's civilian members and Msgr Gomez Hoyos, the deputy of the chairman of the Bishops Commission who was unable to leave his office in Pamplona. These same persons, as was quite reasonable, agreed that the members of the Armed Forces--regardless of the fact that they had already stated their opinions before the commission--should directly attend the government's conferences. They, like the manager of the agricultural credit fund and the manager of INCOR [Colombian Agrarian Reform Institute], joined the commission in an official status and the problem of their resignation therefore could not come up in this fashion. But each of the steps taken to launch the process described in the memorandum delivered to the office of the president--first as a simple outline of mine and later on as a proposal by all civilian and church members constituting that body--was communicated to the members of the Peace Commission.

The article in NUEVA FRONTERA (No 381), in which I summarized the presentation made before the Rotary Conference, contains the following paragraph: "I think, and I said so, that with respect to the groups in which the political inspiration predominates, we must seek to the extent possible the implementation of the Colombian approach to the peaceful solution. On the one hand, we must try to make sure that those groups will develop a more precise sense of the current Colombian situation and the political possibilities of the subversives. On the other hand, the administration must use its power of pardon with the

proper precautions so that the disturbance of public order will not continue and within what Colombian society can morally allow. I think that it is possible to proceed in this fashion and we are working along these lines."

This was the idea that guided my work and I believe that it is my right to make sure that the country will know the steps which I managed to take.

The administration knew that from the very beginning of the contacts I had met with the leaders of the subversive movement and it approved them. The same happened in the case of the commanders of the Armed Forces. I informed the president of the republic, the ministers of justice and defense, and the commanding general of the armed forces from the very beginning that there was a possibility of establishing contact with the leaders of M-19 through a person who at all times gave me evidence of acting with seriousness and in a patriotic spirit. Everybody authorized this contact; the minister of justice in agreement with the minister of defense, took special steps to make it easier for the go-between to hold lengthy conferences with the leaders of M-19 who were in prison, with the exception of the strict precautions which the army and the Ministry of Justice imposed recently for security reasons. I pursued my task, inspired by the basic principles which I stated in Cali: the principle of convincing the subversives as to the sterile nature of their struggle and the advisability of having them work for their principles within legal channels and, during a meeting of distinguished jurists, to seek formulas which, without providing amnesty for those guilty of certain crimes, while of course trying them in court with the possibility that they might be sentenced, would signify for the leaders of the subversive movement a prospect different from the prospect of being sentenced to 25 years in prison. In other words, I was trying to get the state to be able to use its power of pardon within certain limits which the majority of the commission members considered morally acceptable by Colombian society as a formula for peace. I never looked lightly upon the sensitivity of public conscience, its rejection of impunity, because that sensitivity is something I shared and I felt that it had been injured, regardless of the person who was guilty of "crimes of atrocity." The Most Illustrious Bishop of Florencia and I had an opportunity to state this to the president of the republic. In passing, I want to note the cooperation which the Catholic Church at all times gave to the Peace Commission through the actions of the most distinguished priests.

In my writings, which I mentioned earlier, I explained that there are various subversive groups in the country and that this complicated our task. But contact was established with several groups, not just with one of them, with the approval and, on occasion, on the initiative of the administration and the armed forces. In one of the decrees issued, provision was made for the creation of commissions to establish that contact with the groups that had risen up in arms in order then to study with them their reintegration into the country's political and economic life and the improvement of the regions in which they have been operating. The very illustrious bishop, Msgr Serna participated in the two of them in Caqueta; I asked him most urgently to continue the task of pacification which he had been carrying out, not without inexplicable obstacles. The governor of Caqueta is a member of one of them. When the president of the republic informed me that members of a subversive

group different from M-19 had communicated with Drs Gustavo Balcazar Monzon and Jose Fernando Botero and asked me that the mission appoint them officially as intermediaries, we did that. More than that, on several occasions I discussed with members of the administration the advisability of having me meet with Mr Bateman to have full assurance that M-19 would subscribe to the commitments described in the commission memorandum which the administration had released to the public and it was suggested to me that this meeting could be held in the republic of Ecuador. Only later was it considered "unfitting for the republic" that a former president might talk to that rebel who is charged with participating in crimes not covered by the offer of amnesty; it was announced through the Ministry of Defense that a meeting on Colombian territory would seriously injure the sensitivity of the Armed Forces although the possibility of a meeting in a foreign country was not ruled out at the last moment; I offered to travel there without any cost to the public treasury. That extreme sensitivity however was rather late in being expressed also in the memorandum of National Conservative [Party] Directory.

Formulas for a Party

It must be made very clear that--in the plan I submitted to the president of the republic, which was then approved by all civilian members and by Msgr Gomez Hoyos, who undoubtedly had an opportunity to inform the other high authorities of the church as to its significance--no amnesty was offered for crimes of homicide outside combat, kidnappings, and extortion. The power of pardon is exercised through the grant of two juridical points provided for in the criminal and criminal trial laws: release from jail, under the conditions listed in the Trial Code and the additional ones which the government might determine, with the approval of the Peace Commission and the conditional suspension of the penalty for those who were sentenced, provided the connection with the politically inspired movement was clearly established. This must be well understood because I even had to ask the president of the republic for further clarification of the text of the letter which he addressed to me because the wording did not leave that point clearly understandable. The president was kind enough to order the Press Office at the Palace to do so in order to make sure that all of the pertinent documents would be televised.

Conditions for Application of Pardon Formula

The application of the formulas of pardon was to be preceded by a series of actions on the part of M-19. The latter, as everybody knows, had been maintaining the "slogan" of "To Power Through Arms" and always, as a prior condition for stopping their warlike or terrorist activities demanded the lifting of the state of siege and the repeal of the Security Statute. I did not negotiate with the M-19 leaders; through a go-between, I simply let them know my viewpoints since I had already expressed them in my writings and since the administration was quite familiar with them. I do not accept violent action as a means for solving economic, social, or political problems, nor as a protest against the excesses of the establishment. I only accept the call to legal means, the search for reforms, using the instruments offered by representative democracy. Besides, I do not believe that lifting the state of siege could come before peace. The state of siege can be lifted after the disturbance of the public order has ceased. As for the Security Statute,

I believe that this is a bad group of provisions issued under various administrations when the public order was being disturbed, accompanied by standards which call for more severity in certain penalties and others which give the military and police authorities powers which easily lead to arbitrary action. The inadvisability of sticking to this sort of thing is recognized by members of the administration and the armed forces. I indicated to the president of the republic from the very first the advisability of replacing it with a well-prepared Police Code. The topic came up in the commission and Gen Francisco Naranjo Franco--to whose balanced behavior I wish to render sincere tribute--promoted preliminary work aimed at the objective indicated. During the last meeting held in Narino Palace, when the pacification pattern proposed by the Peace Commission was rejected, there was already something that to me looked like unanimous agreement on the advisability of completing the drafting of such a code for which purpose I suggested the assistance of a Commission of Experts, different from the Peace Commission for easily understandable reasons; the same goes for the submission of the pertinent bill to Congress because it is better--and everybody agreed on that--that the code be a law and not a decree issued under the authority provided by the state of siege. The latter must not be prolonged because certain standards are not supposed to expire, as is happening today because of the way in which the fight against drug traffickers is being handled.

When M-19 agreed that the lifting of the state of siege and the repeal of the Security Statute would be a consequence of the restoration of peace and not a prior condition for the end of subversion, we had achieved something of tremendous importance. The Conservative Party Directory, in its memorandum, was wondering what new things might happen so that the executive branch would partly modify its earlier position with respect to the exercise of the right of pardon. The new things were the ones which I have just explained and the simple reading of the paper presented by the Peace Commission should have sufficed to understand that.

The call which the leaders of M-19 were supposed to issue, including Mr Bateman--because this is what I insisted on from the very beginning--to the effect that all of its members come out and become legal again, abandoning their pursuits, turned out to be very important. On the basis of that declaration, the administration issued the decree whose text is already known and which deals with release from prison and suspended sentences. Immediately afterward, the M-19 leaders issued firm orders for all of the movement's members to report to the authorities, to turn over their weapons, and to sign the pledge. It must be made clear that, for those who are not familiar with the criminal trial laws, that the suspension of a penalty always remains subject to compliance with certain conditions. One of them, which was covered by the decree, involves reporting by a certain absolute deadline. Failure to report would cancel the benefit which was supposed to be attained in this fashion.

Precautions Against Relapse

I just explained that the main precaution against relapse is the conditional nature of the sentence. Those involved in crimes not covered by the amnesty in the decree in force would be tried and would be sentenced if found guilty

and therefore they would remain subject to the requirement for serving that sentence if they had violated any of the conditions provided for in the Criminal Trial Code and the additional ones which the administration might determine. It does not seem likely to me that those sentenced would be in any hurry to violate those conditions.

Both the minister of defense and the commanding general of the Armed Forces and the National Conservative Party Directory considered the process of pacification proposed by the Commission to be impracticable and inconvenient due to the fact that there are several subversive groups and there was no certainty that what M-19 accepted would also be accepted by the others. Another objection raised to me was the rivalry which supposedly existed between those groups. But if that is true, if it is not possible simultaneously to convince all, would we therefore once and for all have to drop the idea of pacifying action? The statement made by EL SIGLO in its Sunday edition to the effect that the rivalry between M-19 and FARC blocked the peace formula, is not correct. After hearing from the minister of defense and the commanding general of the Armed Forces and after listening to a memorandum from the National Conservative Party Directory, read by the minister of justice, the administration declared the proposed process to be impracticable and among the reasons mentioned was the fact of jealousy and rivalry which, according to it, divided the various subversive groups. I, on the contrary, am convinced that the way M-19 accepted that process would have caused it to be accepted also by other groups or by a good portion of those groups. And I think I am right in thinking so because delegates of the Peace Commission were already in contact with those groups; besides there are many other reasons. In any case, if the rivalry between the groups cannot be done away with and the current leaders of the Armed Forces and the present administration think that it is impossible to order measures that were accepted only by one group, then we inevitably arrive at the conclusion that the only way left open is the way of armed repression and severe punishment. And then the country would have to look at the way in which repression progresses in order to find out whether it will shortly lead to peace (a Roman Peace) or whether, on the contrary, it will be counterproductive. In company with a person of the utmost distinction, I proposed problems relating to this point to the president of the republic. He listened to me attentively and I hope that he will keep in mind what I took the liberty of telling him and what he heard in my presence from the lips of others.

Dr Lopez Michelsen turned out to be more cautious than the Conservative Directory; on being consulted by the administration, he confined himself to saying that he would support what the administration would accept. But of course now he supports the negative formula, that is to say, a position practically equal to the one of the conservative top leaders. I will not dwell on that point because I do not in any way wish to mix party politics, at a time just prior to elections, in with a serious matter which involves all Colombians equally. In the same way I do not want these explanations to be taken as an act of opposition to the administration or as any step hostile to the military leadership. I simply believe that I must assume my responsibilities toward the country and I do so assume them without hesitation and without fear. I do so to give an explanation, not to start an awkward and bitter debate.

Need for Peace

During the steps which I have been talking about, I insistently stressed certain points which I will now mention only very quickly: The advisability, for the nation of not having the army spend voluminous resources and committing its personnel in the guerrilla fight, when it is necessary to concentrate more on training for an adequate defense against the not unlikely foreign threats; the need for the army not to be given police missions and consequently the urgency of giving the National Police more personnel, more money, and more equipment, both in the field of investigation and in the field of surveillance and repression of ordinary crime which has reached such alarming levels. National security and public tranquility now loudly call for the end of this absurd guerrilla struggle. The Peace Commission wanted the subversive groups to get that message and wanted the administration to take the steps which it considers advisable but which the executive branch considers impracticable, although I cannot begin to understand why. I do not distrust either the patriotism or the good will of the administration, just as it does not distrust the sentiments that inspired the Commission; but of course I do not share the administration's decision which at the same time wants the measures already adopted to be effective while there are others which, to achieve peace, turn out to be more practicable than the ones which I have just stated.

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CSO: 3010/1616

MILITARY DENIES BLAME FOR PEACE COMMISSION FAILURE

Bogota EL TIEMPO in Spanish 18 May 82 pp 1-A, 2-B

[Article by Alvaro Caicedo: "We Are Not Guilty of the Collapse of the Peace Commission: Armed Forces"]

[Text] Cali, 17 May--The Military Forces today rejected the idea that they are guilty of the failure of the Peace Commission and they said that the guerrilla groups, which operated in Putumayo and Cauca, were wiped out by the regular forces in operations carried out since January.

Gen Manuel Jaime Guerrero Paz, CG, 3rd Brigade, spoke at a meeting of representatives of the Armed Forces and the governors in the southwestern part of Colombia, held to analyze the public order situation in the region and to adopt measures for the 30 May presidential elections.

During clashes with the army, 46 guerrilla fighters were killed in Cauca and Putumayo.

Weapons and equipment used by the insurrectionists were also seized. The public order situation in Putumayo and Cauca is absolutely normal, Guerrero Paz reported. "I hope that there will be no change now," he added.

Gen Gustavo Matamoros, chief of the joint general staff of the Military Forces, said that the resignation of the Peace Commission members was not the fault of Gen Jose Gonzalo Forero Delgadillo.

Matamoros said that the meeting was positive but that a very complete report was received on the situation in the country's southwestern part.

He said that everything is absolutely calm and gave assurance that 30 May will be a success for democracy, as were the elections of 14 March which were held without any trouble.

Questioned as to the Peace Commission's resignation, he replied: "Unfortunately, it broke up. (Its members) did a very important job. I imagine that the country will continue to support all aspects of pacification."

Concerning stories as to the responsibility of the Military Forces for the Peace Commission's resignation, Gen Matamoros said that this is not true.

"We, the military, are an establishment that is under the administration. We obey what the government orders; that is our obligation. We must give it absolute support, we are subordinated to civilian authority. We are not at any moment interfering in peace; it is perhaps we who want peace most of all, we who need it most of all. And I believe that you must believe this, you must believe what we, the military say, and not what the country's enemies are saying, after they have caused all this disorder."

According to information obtained from military circles, the columns of Ivan Marino Ospina and Roberto Artunduaga were wiped out. There was only one casualty among the regular forces.

On the other hand, it was announced that President Julio Cesar Turbay would go to Cali early in June to attend the graduation ceremony for 25 new officers of the Air Force logistic service, an event that will be attended by career personnel from various branches. The chief of state will remain in Cali for 3 hours and will then go on to Cartagena to attend a similar ceremony at the Naval Academy.

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CSO: 3010/1616

M-19'S BATEMAN BLAMES MILITARY FOR AMNESTY FAILURE

Bogota EL TIEMPO in Spanish, 16 May 82 p 2-A

[Text] Jaime Bateman Cayon, M-19's top leader, accused the army of blocking the amnesty proposed by the Peace Commission and said that military operations in the country's south were the cause for this failure.

The statement by the leader of the 19 April Movement were sent in a cassette to the Super Network of Santa Marta. In it, Bateman, in the form of a lecture, in which he refers to his conversation partners as "comrades," urges a discussion on the topic of peace "on the level of friends and not on the level of enemies."

The guerrilla leader accused the presidential candidates of using peace as a platform plank to win votes in the coming 30 May elections. The left-wing candidate Gerardo Molina did not escape his accusation either.

Referring to the government's proposals on amnesty, Bateman said: "We believe that, if we stay in the vicious circle of proposals and counterproposals, we will fall victim to the vice of the country's politics."

Recording

Here are some of the excerpts from Bateman's statements:

"What happened to the amnesty? [It is necessary] to show that this was the wrong thing to do, that it was not an effective thing to try, that it was an undertaking of the bourgeoisie.

"As of now, in Mocoa (July or March), the amnesty idea was a failure. We thought that it was not a good idea and we therefore prepared the June plan which consisted in turning Caqueta and Putumayo into a fortress of ours to lend greater strength to our ideas and to our undertaking. This is how we buried the amnesty because the amnesty was buried due to military operations carried throughout the country and especially in the south.

"We came face to face with the brass in Narino Palace, which is the way it had to be. But that was only a call to attention. That was where we terminated that period of struggle against the enemy's phony peace move.

"We believe that a political victory of great importance to the country occurred there. The basic thing is that this victory came in the course of military action. And we are not wrong on that."

"Peace, a Political Platform Plank"

Talking about peace, the guerrilla leaders said: "This is why, when we made our peace proposal--we believe that this is in July--concerning the lifting of the state of siege, the repeal of the Security statute, broad amnesty, and a dialogue between all sectors of the country, when we expanded on those points, there was silence throughout the land, on the part of all forces, as if we had arrived at a point when nobody knew what to say in reply."

"The enemy opted for maintaining silence in response to this proposal and the traditional political sectors and the left picked the issue up as if it was one of theirs. They began to engage in political proselytism around that platform plank and today, comrades (?), there is not a single political party whose program does not include the struggle for peace in Colombia."

"We believe that, if we remain stuck in the vicious circle of proposals and counterproposals, we will fall victim to the vice of the country's politics, as if we were to go round and round and never make any headway."

"Mr Lopez Michelsen began to talk about peace, saying that his administration would impose real amnesty and that he was in agreement with the idea. That became a very important political platform plank for the candidacy of Mr Lopez Michelsen."

"But we must do our duty of showing them that this is not the right way. We really did what the enemy wanted us to do. That is what Mr Camacho Leyva wants. That is what Mr Lema Henao wants. That is what they have been saying in public throughout the land--that the guerrillas are the ones who are guilty of violence in the country."

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CSO: 3010/1616

M-19, COMMUNIST BREAK SAID TO HAVE AFFECTED PEACE PROCESS

Bogota EL SIGLO in Spanish 16 May 82 pp 1, 6

[Text] M-19's break with communism and consequently with its armed group, the FARC [Revolutionary Armed Forces of Colombia] was one of the main causes for the failure of the peace agreement which had been worked out between Dr Carlos Lleras Restrepo and the subversive group.

According to the basic understanding which had been arrived at between M-19 and the Peace Commission, perhaps more specifically, Dr Carlos Lleras Restrepo, it was contemplated that M-19 would serve as go-between with the other subversive groups in order to arrive at an understanding that would guarantee tranquility in the country.

Quite unexpectedly, in the afternoon of Wednesday, 12 May, the M-19 in an announcement from its leadership made known its break with the Communist Party, as was reported in an exclusive story by EL SIGLO in its 13 May edition because in the view of the subversive leaders, that party had come to believe that the conquest of peace would be achieved by participating in the 30 May election.

That decision by M-19 implied a break with the FARC, the armed arm of communism which had decreed a truce so long as the presidential elections had not been held.

The M-19 decision, paralleled by the withdrawal of the communist powers of attorney, represented by its leaders in the La Picota council of war, caused a deep split between the two subversive groups because the M-19 [movement] found itself unable to comply with what the peace commission had established in its memorandum to the president of the republic, a document which in its second point states: "The M-19 high command in this publication (declaration of renunciation of the armed movement) will issue a call to the other movements that have risen up in arms to follow the same road and thus to facilitate the lifting of the state of siege."

Simultaneously, various events of a public nature took place in the country, promoted by M-19 and the FARC, constituting an obstacle to the peace proposals spelled out in the presumed agreement with the Peace Commission.

On the other hand, as EL SIGLO was able to establish yesterday, it is not true--as some information media had reported--that there was a personal interview between Dr Carlos Lleras Restrepo and the so-called chief of the M-19, Bateman Cayon. It seems that an attempt was made along these lines but, since this was impossible within national territory, given the security measures taken by the armed forces, it was thought that it should be held abroad and Panama City or Managua were considered as sites for this meeting.

It was learned on the other hand that Dr Carlos Lleras Restrepo, in his dealings with M-19, without direct contact, could get conversations going through the prisoners of that organization who are currently being held in the La Picota prison, through a contact established by a subversive individual by the name of Lucio who supposedly serves a sentence in the Bucaramanga prison and who reportedly had obtained permission from the government to talk at length with the leaders of the subversive organization in the above-mentioned penitentiary.

On the other hand, according to the investigations conducted by EL SIGLO, it is learned that M-19 was trying to get in touch with the other subversive groups, especially the FARC, through the intervention of Senator Gustavo Balcazar Monzon who, in a television interview, displayed considerable astuteness, a fact which is considered a key to the situation and which was made reference to on TV during his last interview by candidate Belisario Betancur.

At this time, the entire understanding between the FARC and M-19 has been smashed by the decision of the first of these groups to break with communism.

On the other hand, it was learned that, during some of these negotiations, Dr Carlos Lleras Restrepo did not act as a member of the Peace Commission but on a strictly personal basis to the point that the possible foundations for the agreement with the M-19 [movement] were not communicated to that commission although they were later on considered in talks with the political leaders.

In summary, according to observers, the presumed agreement between Dr Carlos Lleras and M-19 failed because it did not represent a joint decision by the groups that had risen up in arms and because M-19, for the reasons given, was unable to accomplish the mission given it as a go-between with the other subversive groups and because the agreement in general was not backed by prior consultation with the Peace Commission, one of whose members, Gen Gonzalo Forero Delgadillo, the commanding general of the military forces, was not present during the few discussions on this particular point due to the fact that he was on a government mission in Sinai.

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CSO: 3010/1616.

GUEVARA DENIES ELECTORAL FRAUD, DISCUSSES FUTURE

Guatemala PRENSA LIBRE in Spanish 21 Apr 82 p 7

[Article: "General Anibal Guevara Instists That There Was No Electoral Fraud"]

[Text] Gen Angel Anibal Guevara Rodriguez, former presidential candidate and former minister of national defense, said yesterday that he will not again become involved in politics, that he is once more involved with the army, and he confirmed that in the recent elections "there was no fraud as some have tried to suggest."

General Guevara was interviewed by newsmen when he emerged from the office of the deputy minister of national defense, Gen Oscar Mejia Victores, and explained that "I had only come to straighten out some paperwork since I am back in the military but only on an on-call basis."

General Guevara added that he would not accept any particular responsibility since he had achieved the peak that a soldier could aspire to, such as being minister of defense. "It is necessary to give other officers a chance," he observed.

Bitter Experience in Politics

General Guevara was asked whether he would again become involved in politics as a presidential candidate when elections are called in the future.

He answered with a smile, saying: "one has to evaluate bitter experiences." He went on to say that in the political field he had some wonderful experiences, got to know many people, learned to understand the attitude of individuals and to get acquainted with the problems faced by Guatemalans.

General Guevara continued by noting that "the elections were unjustly characterized as fraudulent, but this is the version of the losers. The election was honest because otherwise proof would have surfaced of the alleged fraud."

A reporter asked General Guevara for his opinion on the coup d'etat and he replied: "On this subject I shall not express any opinion."

Regarding a meeting that was held recently at the headquarters of a military brigade of Guatemala City attended by Gen Efraim Rios Montt, chairman of the military government junta, General Guevara said that he, too, had been there but affirmed that "the two brother generals, Fernando and Romeo Lucas Garcia, were not present."

His Home Was Not Searched

The former presidential candidate also said as part of his comments that his home was not searched by the authorities. A few days ago his wife, Aura Verpertina de Guervara, told the news media that "the military junta would be responsible if anything happened to the former presidential candidate."

"My home was not searched," General Guevara said. "What was involved was an error by the police." On being asked whether "you would collaborate with the military junta," General Guevara stressed that as a member of the army his obligation was specifically to cooperate with the army.

Guevara exhibited optimism. He preferred not to speak too much about political affairs but reiterated that "I shall not be a presidential candidate again."

2662

CSO: 3010/1649

CENTRAL BANK'S PRESIDENT ASSESSES FINANCIAL SITUATION

Guatemala DIARIO DE CENTRO AMERICA in Spanish 30 Apr 82 p 8

[Article by Julio Cesar Anzueto: "Financial Profile of Guatemala Today"]

[Text] DPA--No alarming drop in international monetary reserves, an increase in local monetary deposits, a broad capacity for securing credit, as well as soundness of the currency (the quetzal on a par with the U.S. dollar) are part of the financial profile of Guatemala today, according to a report by the president of the (Central) Bank of Guatemala, Jorge Gonzalez del Valle.

The official noted that the country's economic slide of the last 2 years has been reduced even though it has not been halted completely, attributing this downswing principally to factors that are noneconomic such as political violence even though he noted that Guatemala also suffers from the impact of the world recession which affects even the highly developed countries.

Nevertheless, Gonzalez del Valle stressed that Guatemala has prospects not available to other countries, as in the case of oil which, now in the incipient stages of exploitation, would stimulate the Guatemalan economy if exploited on a large scale.

Jorge Gonzalez del Valle also reported that in the Central American Common Market, now experiencing a certain amount of recession because of economic and political factors in the region, Guatemala is the major importer and exporter.

Gonzalez del Valle pointed out that in general terms the world economy is "exhausted," industrial activity is reduced, and this fact also affects those developing countries which depend on highly developed countries for the sale of specific products and raw materials.

He stressed that if the U.S. economic policy followed by President Ronald Reagan is successful in the next few months, Europe and other areas of the world will be reinvigorated and developing countries like Guatemala will witness a rapid upswing to the levels of 1979.

Guatemala's monetary reserves fell by up to \$450 million between 1979 and 1981 because of various factors such as those listed above.

Gonzalez del Valle noted that the phenomenon can be attributed not only to capital flights, as has been mentioned so often, since an effective control system is in effect. Rather, the drop in reserves is due to the lower inflow of foreign exchange as a consequence of the world recession while traditional Guatemalan exports are also down.

The lower reserves are also due to the downslide of tourism which provides a sizable portion of foreign exchange from outside Guatemala.

Guatemala's monetary reserves stood at \$527 million at the close of 1980, dropped to \$347 million at the end of 1981, and on 23 April 1982 totaled \$358 million, a light increase, according to the information obtained from the International Monetary Fund (IMF).

In addition, Guatemala had exports totaling \$1.5 billion in 1980 which dropped to \$1.3 billion in 1981 even though it should also be noted that this downslide reflects a drop in prices on international markets for given Guatemalan products whereas on the other hand Guatemala managed to achieve a notable increase in its exports of nontraditional products according to a report of GUATEXPRO [National Center for the Promotion of Exports].

The tourist sector had a deficit of \$330 million in 1980, a deficit which rose to \$415 million in 1981, according to Gonzalez del Valle's statement.

As a consequence of the political factors which have prevailed in Guatemala in the past few years, especially violence, foreign investments have fallen while some loans have been recalled, thereby reducing the inflow of capital and mandating the use of Guatemala's reserves, Gonzalez del Valle also said.

The president of the (Central) Bank of Guatemala noted, however, as a positive factor evidencing national confidence, that bank deposits increased from 1.2 billion quetzals (on a par with the dollar) in 1979 to 1.52 billion quetzals in 1981.

He said that the savings factor and the cut in what may be unnecessary expenses are encouraging for the economy and will redound to the benefit of Guatemalans.

Furthermore, he pointed out that within the Central American Common Market in 1981 Guatemala exported goods and services for a total of \$400 million and imported items worth \$200 million and he noted that some \$120 million could be considered to be credit which Guatemala granted to El Salvador and Nicaragua, countries which made purchases for this total but experienced problems with their currencies.

Gonzalez del Valle who returned from Washington, D.C., as a member of a delegation headed by Minister of Finance Leonardo Figueroa Villate, reported that his delegation visited the Inter-American Development Bank [IDB], the World Bank [IBRD], and the International Monetary Fund [IMF] in order to inform these organizations in which Guatemala holds membership what the

economic and financial objectives of the present government junta are but not to discuss in any way financial policies or debt renegotiation.

He said that Guatemala has one of the best foreign debt positions in Latin America since the average maturity date of its loans is 26 years and its grace period is 6 years, indicating that this indebtedness represents only 8 percent of Guatemala's Gross Domestic Product while the corresponding figure for other countries is four times larger.

Gonzalez del Valle also noted that the total of Guatemala's external debt represents some 4 percent of the value of its 1981 exports whereas for other countries of the region it constitutes up to 80 percent.

2662

CSO: 3010/1649

SEVERAL FACTORS PREVENT COFFEE PRODUCTION INCREASE

Guatemala PRENSA LIBRE in Spanish 22 Apr 82 p 15

[Article: "It Is Impossible To Increase Coffee Production"]

[Text] At the start of the 1980's technical projections made one believe in the possibility of increasing coffee production with its consequent economic and social benefits for Guatemala. This did not happen because of various very unfavorable developments.

Technical-agricultural organizations of the Bank of Guatemala and in the field of economic planning, among others, reported in 1980 "the real possibilities that are present to increase coffee production, the appropriateness of doing so, and the machinery that could be used for this purpose."

Among other things stress was placed on the physical and human resources necessary to intensify coffee bean production which the existing production systems did not make it possible to exploit fully.

It was noted in a Bank of Guatemala study that "the maximal exploitation of these resources complemented by sufficient financial assistance constitutes a viable and appropriate means to increase coffee production."

From a technical viewpoint the substantial increase of coffee production could be achieved in Guatemala through measures such as the following:

(1) By gradually replacing the old, existing plantations and replacing the present varieties with others that are resistant to blight and that are more productive; (2) by modifying the sowing system to increase substantially the number of plants per area; and (3) by intensifying crop-growing practices under a modern and efficient technology.

Adverse Factors

While these objectives have been achieved in part, the economic factors have changed unfavorably and go so far as to negate the possibilities of growth. They even threaten seriously the continuation of the levels reached, according to reports of ANACAFE [National Coffee Association].

There has been a considerable increase in production costs, which has been aggravated by the rise in the price of inputs in general and the wage hikes in the coffee sector.

The cost of production which in March 1980 (2 years ago) was 85.45 quetzales for a quintal has jumped considerably while at the same time exports were restricted by an international quota system. Prices in world trade dropped to unprecedented levels (in June and July 1981) and stocks have accumulated representing outlays for the coffee-growing sector with serious risks of loss.

During the 1980-81 coffee-growing season, Guatemala could sell abroad only 2.7 million quintals of top-grade coffee. Production in excess of 300,000 quintals was held back and this amount, added to that of the subsequent period (1981-82), may exceed half a million quintals.

According to a series of reports and studies which the coffee-growing organization has presented to the decisionmaking entities, all these factors have placed the coffee-growing sector in a serious financial bind in which it is becoming unable to secure credit.

The limitations on exports, the accumulation of inventories requiring warehousing, the high costs of production, and other factors represent a problem which, when the sources of financing for the coffee-growing sector are dried up, may cause an alarming drop in production and in fact preclude the possibilities of growth which the earlier technocracy had anticipated some 2 years ago, reports from the coffee-growing sector indicate.

2662

CSO: 3010/1649

GUATEMALA

JUNTA MEMBER DISCUSSES LAWS AGAINST SUBVERSION

PA091400 Guatemala City PRENSA LIBRE in Spanish 2 Jun 82 p 9

[Excerpt] Col Francisco Gordillo Martinez, communications minister and member of the government junta, told a PRENSA LIBRE reporter yesterday that refugee centers could be established in areas of conflict after the amnesty period, when the army begins operations in regions to be placed under a special law.

He noted that the government already has some bills intended to form a special code for areas affected by subversion, such as San Marcos, El Quiche and Huehuetenango.

He said that special laws are needed for these areas, otherwise we would be violating existing laws, and this is not advisable.

Laws and procedures in line with the situation being experienced in certain regions must be applied. Regarding the protection that will be given to families in the areas in question, Gordillo Martinez said that it is impossible to give security to every single family but that refugee areas will be created to protect these families.

In addition, the government will give them medical attention and facilities so that they can live without problems while the special laws on counterinsurgency operations are in effect.

Antigovernment groups have sent bulletins to the media saying that they reject the amnesty announced by the government and describing it as a farce.

Referring to this rejection, Colonel Gordillo Martinez said that the government junta is definitely "not expecting the communist agents financed by Cuba and Russia to put down their arms and turn themselves over to the security forces."

These terrorists, he said, want power at any cost and they don't care if they shed their own brothers' blood for it. The amnesty cannot be for the Marxists, but for those people who have become involved in antigovernment activities out of need or because of threats.

Some people have received money from the guerrillas. This has committed them to participating in terrorist actions, but they don't share the communist ideology. The amnesty is intended for them. We know that those who are receiving funds from the Soviet orbit countries will not accept the law.

CSO: 6131/12

BRIEFS

RIOS MONTT FAVORS NATIONALIZATION--Gen Efraim Rios Montt, President of the military government junta, favors nationalization and the exploitation of Guatemala's oil, according to what he stated yesterday at a press conference. General Rios Montt was questioned by newsmen at the meeting that he had held on Friday with the members of the diplomatic corps accredited to Guatemala in the banquet hall of the National Palace. He was also asked whether the issue of oil had been discussed at the cabinet meeting held yesterday and he replied that indeed there had been a discussion of energy, but only about its general aspects. He added that next week the law relating to oil exploitation in Guatemala will be reviewed and at that time he will be able to report on the situation of energy sources being exploited in Guatemala. The journalists asked General Rios Montt whether he favored the nationalization of oil exploitation and he replied: "It cannot be otherwise; oil is national resource which belongs to Guatemala and not to any foreign company." Later in his comments General Rios Montt indicated that for the time being he is not "considering traveling to any country. I prefer to go to Peten, Huehuetenango, or to Quiche to find out about the problems of our country and to seek solutions for them" he noted. "We must strive for the unity of Guatemalans and once we have achieved this goal, then we can start thinking about strengthening friendships with other fraternal nations." [Text] [Guatemala PRENSA LIBRE in Spanish 19 Apr 82 p 12] 2662

CSO: 3010/1648

DEFENSE MINISTER ISSUES WARNING, OFFERS ASSURANCES

Mexico City EL DIA in Spanish 16 May 82 p 3

[Speech delivered by Defense Secretary Gen Felix Galvan Lopez, Queretaro Plaza, Queretaro, 15 May]

[Text] "Citizen Rafael Camacho Guzman, constitutional governor of the State of Queretaro, citizen representatives of the Legislative, Judicial and Municipal Powers, youths of Queretaro, ladies and gentlemen, comrades-in-arms.

"Today, in recognizing ourselves as Mexicans, in our always turbulent history, we defend, in the inexhaustible vertex of Queretaro, what made the republic triumph over the empire in 1867.

"We safeguard our independent sovereignty, liberty and law.

"Yesterday's battles ended with the resounding triumph of Juarez' forces under Mariano Escobedo.

"Today's struggles are similar, but as protagonists, we should be stronger, more lucid and more united Mexicans.

"Present-day challenges are more difficult and complex. Not to understand this and not to act logically would force us to take unwanted risks.

"These civic remembrances are so that we do not disdain the lessons of the historic past, given to us through the lives and blood of our most esteemed compatriots.

"What happened at the time of the taking of Queretaro, that 15 May 1867 which we commemorate today?

"Scarcely 12 years earlier the fight was against Antonio Lopez de Santa Anna. Soon we would have the Constitution of 1857.

"Some Mexicans fought one another--some with ideas of reform; others to the cry 'Religion and Statutes,' hold to conservative ideas and fight.

"Juarez and Miramon were already involved in the struggle that was to culminate, years later, on this Hill of the Bells.

"In 1981, 6 years before the fall of Maximilian and his imperial utopia, the population and 'the political parties were more divided than ever'."

"Division, as always, made us more vulnerable. Three European powers saw the opportunity and sent troops to Mexico.

"In Puebla we were able to defeat the French under Napoleon, but that did not discourage those who, in spite of the country's critical situation, longed for glitter, aristocracies and unfair privileges, even at the cost of foreign domination.

"The names of Benito Juarez, Gonzalez Ortega, Manuel Doblado, Mariano Escobedo, Ocampo, Prieto Corona, Zaragoza, Diaz Patoni, among many others, stand out among the patriotic deeds of that crucial period.

"Having been proclaimed emperor in May 1864 by those whose ambition was greater than their reasoning and their loyalty, Maximilian arrives in Veracruz.

"It would take 3 years to incubate the lesson in which the foreigners learned of our strength in weakness and we once again learned the price of disunion and group egoism.

"Our economy, bled almost to the maximum by an insatiable foreign presence, and our politics, more darkened by so much foreign control, along with the abject and docile defeatism of the pusillanimous, made the dispute between the republic and the pseudo-empire longer and more burdensome.

"No Mexican ought to ignore or forget what happened in those 3 years when Maximilian was present in Mexico.

"But it is the end to that episode that brings us together here today.

"It is the culmination of the 71-day siege of the troops of Maximilian, Miramon and Mejia in Queretaro by Juarez' forces, led by Gens Mariano Escobedo and Corona, to whom Mexico owes so much.

"We lost thousands of the republic's men, but we gained a fatherland on 15 May 1867, when the Austrian and his followers were taken prisoners.

"Thus, here collapsed what President Jose Lopez Portillo has termed 'the ludicrous and absurd imperial effort.'

"We speak of our triumphs because they elevate our national spirit. But the difficulties also--and no less frequently--form the reality of our history.

"If we want progress, liberty and justice, then we ought to know well what it is that carries us as a nation to triumph or what causes us to fail, what strengthens or consolidates our independence, or what predisposes us to subject ourselves to foreign domination.

"Is Mexico living in difficult times?

"When were they easy for those who believe in and fight for their country and their families with dignity, conviction and loyalty?

"We have national strength--historical, human, geographic and spiritual. Certainly there are problems! But are there only problems? Only that? Is there no liberty and national consensus on a common system of values?

"Whoever sows discouragement will reap disdain and something more.

"We have a good political constitution that outlines and defines what everyone wants.

"Let us remember here at the historical zenith of the republic, who is favored or benefited by disunion.

"Whoever sows discouragement and confusion will reap disdain. And more than that.

"Here, on this hill that with its history sustains our will to be Mexicans, we sent Maximilian to the firing squad; but also, and let it be heard clearly, Miramon and Mejia.

"We Mexicans possess experience, memory, resolve and institutions that can always be perfected under the force of a revolutionary doctrine.

"Mexico has--I can repeat it--a trustworthy army able to carry out its military missions and its already established social function.

"Armed forces of substance and popular destiny that have made institutional loyalty their inviolable fundamental mark, for a simple and profound reason: because the Mexican people wanted it that way.

"Because we military people in the nation's territorial commands and the subordinates believe this, and the vast majority of our people continue to want it.

"Those who in their sad grumbling, in their pretended solemn gravity, in their historical error or in their confused intimacy dream about or mention to themselves the possibility of military participation.... But they should not count on us soldiers--not on any of us!

"The economic difficulties--however great they may be, and to whatever degree they are nurtured from whatever source--far from destroying Mexico, will make it better understand the value of its principles and the force of its constitutional outline.

"They may delay our objective, but they will not be able to turn aside our course or hinder our arrival. Perhaps they will show us our deficiencies and weak points, but they will be unable to alienate us from the commitments that all we Mexicans have made to our flag and our country. They lack vision, perspective, reason and valid justification. Family members do not abandon one another or voluntarily disband because of financial reasons.

"Mexico has been able to live with adversity and it will survive it.

"Neither is it so bad to know whom one can count on or who loses faith easily.

"Queretaro summons us with all of its historical force to national cohesion, to honesty, to patriotism, to serenity and to good faith.

"Let us leave no room for confusion, but let us come together more in the struggle that Mexico now demands of us.

"Let us mentally tear down what they have fabricated verbally with guile in order to separate us.

"We Mexicans will make whatever adjustments and transformations necessary using already proven channels that we ourselves established. It is for this reason also that the commands are undergoing democratic renovation, and this is why there is flexibility and renewal in our standards.

"From this Queretaro, less than 1 year ago, President Jose Lopez Portillo indicated that 'it is now imperative to maintain our will for planned vigorous and massive institutional change, adapting ourselves to circumstances with the conscience given to us by intense analysis of our planning, and we should consolidate what we have achieved and not humble ourselves in the face of problems.'

"It is without doubt at times and under circumstances such as these when each of us is most obliged to give more to his country.

"Let us not leave any vacuums in the national effort, that could be filled by interests foreign to Mexico.

"Those most in need now deserve more from all of us. To act egotistically or avariciously would make us guilty of injustice and this involves and hurts everyone.

"It is not enough to criticize deficiencies and delays. In order to exalt Mexico, each of us Mexicans needs to improve himself morally, physically and mentally on the basis of persistent effort, rather than hoping that everything will work out without our individual participation.

"Let us overcome transitory obstacles from every home or place of work with the firm resolve of every Mexican to improve day by day.

"Let us not view Mexico or our lives as merchandise, but let us quickly regain the essential values to which we were forged.

"Let us not defeat ourselves, for we have no right to do that.

"Because we had faith in our country, we won yesterday's battle in Queretaro!

"With that same faith in the nation's greater interests, let us win the battles of today, together, all Mexicans, civilians and military, workers and students, professional people, farmers and teachers, youths and adults, men and women, journalists and managers, rich and poor, all Mexicans, because: Above All Else Is Mexico! Many thanks."

9746

CSO: 3010/1633

SHARING OF NORTHERN BORDER WATER RESOURCES URGED

Mexico City EL DIA in Spanish 16 Apr 82 p 5

[Editorial: "The Border's Water-Bearing Strata"]

[Text] During the meetings held on the country's northern border to discuss national priorities, it was asserted that given the tendencies for water use and exhaustion in the border region, it is very probable that the scarcity crisis will become a bilateral political problem.

This seems to be an acute and doubtless new question, but because of the scientific gravity, the data on hand and the importance of the matters discussed, it should be taken as a subject for analysis, study, and in this case, planning.

As to whether it is a matter of strategic importance, in a strict sense one must note that water is more important than oil, even knowing that new technological processes make more of that resource available.

It is obvious, even if it sounds so simple, that it is a matter of a vital element, indispensable not just for economic life, but fundamental for human life.

Therefore, it is necessary to amplify the instruments that make possible negotiation and agreement on water-bearing strata located in the extensive border zone between the United States and Mexico and which should be divided justly and reasonably, especially if one understands and accepts as a standard of international harmony the fact that a neighborhood exceeds geographic circumstances, and should be taken as a basis for cooperation and the political will to face and solve common problems reasonably and fairly, as well as to provide solutions to those problems on equal terms.

Historically, the salinity of Mexicali Valley has cost our country very dearly, and has its origin in the hegemonic idea of sharing a border not only in order not to cooperate with a neighboring country, but even to damage its economy seriously, despite the fact that this includes a violation of international ecological standards.

This attitude constitutes an experience that should warn of the obligation of preventing and planning the confrontation of new facts of this nature.

9746

CSO: 3010/1633

BRIEFS

UNEMPLOYED CONSTRUCTION WORKERS--About 100,000 construction workers were left without work during the first half of this year when several federal government projects were stopped, acknowledged yesterday Ignacio Guerra, secretary general of the National Union of Construction Industry Workers. He added that as things now stand an additional 200,000 jobless workers are expected in this branch in the next 3 months. Ignacio Guerra explained that the effect of the devaluation on construction activities should be added to the 8-percent budget reduction. "This last effect," he said, "was basically due to the 80-percent price rise for items used in construction, which, as is the case for cement, rods and cables for electrical installations, are sold on the black market." Finally, he pointed out that as projects continue to be suspended, 25 percent of engineers, draftsmen, planners and other technical personnel will be without work. [By Armando Cruz] [Text] [Mexico City EL DIA in Spanish 18 May 82 p 2] 9746

CSO: 3010/1633

AGRICULTURAL POLICIES CRITICIZED IN CHAMBER OF DEPUTIES

Lima EL COMERCIO in Spanish 6 May 82 p A-4

[Text] Following a lengthy debate in the Chamber of Deputies lasting over 10 hours, Minister of Agriculture Nils Ericsson Correa appealed to the opposition yesterday morning to come to an agreement on the country's agrarian policy in order, he urged, so that there might be a consensus on the basic proposals.

Ericsson concluded a dialogue with national deputies at 0630 hours, a dialogue that had begun at 2015 hours on Tuesday, following the presentation of his sector's plans. A total of 22 deputies spoke, 8 from the PAP [Aprista Party of Peru], 6 from the AP [Popular Action], 6 from the IU [United Left] and 2 from the FNTC [Workers and Peasants National Front].

To sum up his 12 responses, the minister said that those who are asking for another agrarian reform are not calculating the dramatic consequences it would have in rural areas and he promised to readjust his policy with the suggestions made by some deputies.

"Beyond our differences on details, we must agree that every hectare of land in Peru must produce food for our people, products to export and consumable expenditures for agroindustry."

"Change or Resign"

Speaking in his own behalf, Francisco Belaunde Terry accused Ericsson of defending the status quo and the "establishment" represented by Ministry of Agriculture officials.

He said that in the face of the crisis inherited by the constitutional government, "the minister continues to ask for caution after 21 months in office, when what characterizes the Popular Action Party is boldness in making decisions."

He said that he was skeptical about the increase in agricultural production of 12.5 percent in 1981, indicating that at the present time, the percentage of food products imported is high.

Francisco Belaunde said that the military regime's agrarian reform gladdened the large landowners, who he said should parcel out their land. He said that he was surprised by the arguments of the minister, inasmuch as the latter did not make the regime responsible for the crisis in national agriculture.

"The policy of this ministry is bad because it continues to be a bulwark for the military regime. I personally believe that if no changes are made, the minister should resign," he told the press.

Ericsson replied that one should not continue to justify everything of the military regime and he denied the accusation of defending the status quo, saying that changes have been made.

Gustavo Garcia Mundaca (PAP) also replied to Belaunde Terry, saying that the agrarian reform should be improved and not destroyed. However, he criticized the minister of agriculture for acting as a "secretary" for the Ministry of Economy, Finance and Commerce and also the lack of food policies.

Tarapoto

Among other things, Aprista members Alfredo Santa Maria, first speaker of the day, and Arturo Chumbe and leftist Agustin Haya all demanded that Ericsson give explanations of the events of 21 March in Tarapoto, where five peasants died.

Ericsson explained the technical reasons causing the events and AP deputy Manuel Tafur said that on that occasion, there was a combination of factors: the poor administration of agricultural officials in San Martin, the speculation of merchants and the presence of drug traffickers financing terrorism among peasants.

The marketing of food products, mainly those imported, and their relation to the quality of consumption and living conditions of the Peruvian people were matters of interest to Apristas Kilda Urizar and Urbino Julve, as well as Antonio Meza and Alejandro Olivera from the IU.

Ericsson agreed that marketing must be much improved, "for example, with the Pro Compra markets," but he said that Peru is now a country supplied with farm products.

"The problem that the government wants to regulate with more jobs is that of poverty, which prevents one sector from having the resources it needs to supply itself," he said.

In answer to other concerns, the minister said that agricultural activity will not be governed by economic liberalism, but rather, by the social market economy with the government as regulator, as mandated by the constitution.

He told Dario Surco and Aldo Estrada, both from the FNTC for Puno, that the unjust distribution of land in favor of partnership enterprises and against the agricultural communities and the small farmers will be balanced through irrigation that will improve the production of the latter.

Other deputies criticized the credit policy of the Farm Bank, the return of SENAMA to private ownership, the disappearance of the Super Epsa, agricultural contamination by Southern and a number of domestic problems.

Manuel Arce (AP) made a complete defense of the government's agrarian policy and said that the reform inherited will continue. He said that only 600,000 hectares remained to be distributed throughout the country.

During the debate, Ericsson interrupted Emeterio Tacuri (IU), accusing him of relations with private business, and also accused auctioneer Federico Uranga of enjoying the favoritism of the Ministry of Agriculture. At the request of the minister, Tacuri had to withdraw his remarks.

The presiding officer of the Chamber, Luis Percovich, who took turns with Daniel Linares throughout the session, adjourned at 0630 hours, when three-fourths of the deputies were still in the room.

Ericsson withdrew amidst the applause and greetings of the majority bench. From the PPC [Popular Christian Party], only Celso Sotomarino attended the debate without participating.

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CSO: 3010/1602

PESCAPERU IN CRITICAL SITUATION, FISHERIES MINISTER SAYS

Lima EL COMERCIO in Spanish 8 May 82 p A-4

[Text] If the situation of PESCAPERU [State Fishmeal and Fish Oil Production Agency] does not improve soon, that public enterprise could collapse by the end of this year. To date, its losses amount to 15 billion sols, Minister of Fishing Rene Deustua said during the debate following his presentation to the Chamber of Deputies.

In one of his responses to the 17 deputies questioning him, he announced that the controversial plane purchased by PESCAPERU for \$1.35 million will be transferred to the Peruvian Air Force for \$.5 million, to be used by that institution for commercial purposes.

In a debate lasting over 7 hours, the minister repeated the need for PESCAPERU to continue to belong to the public sector and said that the government owes it 2.7 billion sols for financial expenditures which the enterprise incurred last year to subsidize the consumption of oil.

In response to the labor concerns of Luis Negreiros (PAP [Aprista Party of Peru]), the minister said that of the 70,000 workers in the national fishing sector now working, 10 percent are employed by PESCAPERU.

"Before making any wage demands, workers must think about the excessive size of the enterprise," he noted.

He explained that PESCAPERU personnel have been classified in three categories for their relocation, in which workers may have a say. It was learned that those willing to resign from the enterprise would be offered 2 million sols.

Defending Democracy

Deustua noted that despite the fact that they might have differing opinions, the country's politicians should strengthen and save democracy "because it is more important than the problem of fishing or other activities."

This was a tacit reference to Eduardo Calmell del Solar (AP [Popular Action]), who in his speech read documents from the Office of Comptroller General of the Republic detailing alleged immorality in various enterprises under the Ministry of Fishing.

The deputy said that the PESCAPERU airplane was purchased against the will of the minister, that in PEPESCA [Peruvian Mixed Fisheries Enterprise] there was a chairman of the board and general manager for a total of four employees, including those two, and that EPSEP [Public Enterprise for Fishing Services] -- still according to the Office of Comptroller -- does not supply fish to wholesalers or retailers because it has no business policy.

Calmell emphasized that the AP government should not protect immorality or undertake colossal projects and that its members should be honest like President Fernando Belaunde Terry.

He said that if the minister were made responsible for the CERTEX [Export Certificates] plundering of fish exports, there would be two alternatives: "Resign or resign."

He noted that Minister Deustua's presentation was a repetition of his 1981 performance and that his program continues to be promises "because he has not carried them out as a result of a lack of responsibility."

In reply, Deustua said that the irresponsibility belongs to those who publicly read secret documents, as Calmell had done, and who made false charges.

He pointed out that PEPESCA does not have four employees, but 800, and, giving another example, denied that there had been any bribe involved in the purchase of the plane by PESCAPERU.

"I am a minister because of a decision by President Belaunde and I do not intend always to be one," Deustua said when Hector Vargas Haya (PAP) also asked for his resignation. At one point in the debate, the minister showed his membership card in the Popular Action Party since 1978.

Vargas Haya said that with respect to fishing, the "Velasquez-type" policy is being continued, a policy that was also a continuation of what had been in the 1960's by those who plundered our waters "and made us believe that Peru was the leading fishing power in the world."

The Aprista representative said that we shall only be that power when our people eat an abundance of fish. Running out of time, he continued when a colleague gave him his own.

He accused private interests of endangering public fishing enterprises in order to justify their return to private ownership and said that most fish canneries were actually fish meal plants.

Laws

Repeating the opinion that PESCAPERU and EPSEP should continue to be in the public sector, the minister of fishing asked deputies for a number of legal provisions in order to improve enterprises in the sector.

For EPSEP, one provision would enable it to have its own capital, since it cannot receive transfers, and another would free cottage fishing from the import duty. This activity would be strengthened with the 24 boats now under construction.

This type of fishing was criticized by Arturo Larragan (AP), who also said that EPSEP's original problem is that it does not provide loading and marketing services.

Also asking for Deustua's resignation were leftist Alejandro Olivera and Aprista Victor Polay, who, in a hilarious speech in which he even defended the administration of the minister, going against those on his own bench, stated in conclusion that "if he is not going to be a minister forever, then let him not be beginning on 28 July."

In answer to a request from Olivera, Deustua said that the La Puntilla fishing complex in Pisco will be leased to the highest bidder and not transferred to PESCAPERU because of its economic difficulties and because he has not gone forward with canning.

Cheap Fish

In answer to questions from Javier Labarthe (PAP), the minister explained that since PEEAS [Small Enterprises for Anchovy Fishing] had not wished to agree to fish for human consumption, it was decided to authorize factory ships to do so, ships which he said do not plunder our fish resources because of legislation limiting their action.

He then emphasized that the only way there will be cheap fish for the Peruvian people will be with the activity of industrial fleets. "When we proposed that PEEAS convert, we anticipated the extraction of 125,000 metric tons of fish for human consumption," he said.

When Segundo Pena (PAP) announced that his group would present a vote of censorship of Deustua in order that he modify his policy, AP deputies Jorge Diaz Leon, Armando Mendoza Flores and Alfredo Gonzales La Negra defended the minister's policy and presentation.

Diaz Leon said that no accuser had given proof against the minister of fishing and warned that "those enamored of freedom and democracy should not destroy the system." He recalled that men from the Apra, Popular Action Party and the left had been imprisoned and persecuted during the military government.

At 0513 hours, the presiding officer of the Chamber, Luis Percovich Roca, closed the session whose debate had begun at 2238 hours on Thursday. The minister of fishing was applauded by the majority bench.

11,464.

CSO: 3010/1602

BRIEFS

INTEGRATION, DEVELOPMENT PROJECTS--The government plans to carry out seven special projects in the Peruvian jungles making the physical integration of the national territory and the development of forest and agricultural resources in each zone possible. The projects involved total 577 kilometers ranging from the border with Ecuador to the San Ignacio (Amazonas) deviation, covering the departments of Cajamarca, Amazonas, San Martin, Huanuco, Cerro de Pasco, Junin and Loreto. The Huallaga Central, Bajo Mayo, Pichis-Palcazu, Jaen-San Ignacio, Bagua, Alto Huallaga and Alto Mayo projects are already underway. It is hoped that this year will see the undertaking of the Satipo-Chanchamayo and Madre de Dios projects, the latter known as the Agrarian Project. It should be emphasized that the Alto Mayo and Pichis-Palcazu projects include in their jurisdictions the ENDEPAL [National Palm Enterprise] oil palm and the new Amazonian city known as Ciudad Constitucion. It was also announced that improvements will be made along some 286 kilometers of the Corral Quemado-Rioja highway, which is on the edge of the jungle. This would make a rapid transport system possible at a smaller risk and would expand the vital coverage from the coast to the jungle. [Text] [Lima EL COMERCIO in Spanish 16 May 82 p A-15] 11,464

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