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23 June 1982

SOUTH AND EAST ASIA REPORT

No. 1158

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ASEAN TIN PRODUCERS PLAN STRATEGY

Face Uncertainties

Kuala Lumpur BUSINESS TIMES in English 15 May 82 pp 1, 12

[Excerpt]

ASEAN tin Ministers, reflecting a strong desire to foster the regional grouping's position as a growing force on the international commodity scene, were understood to have agreed on specific programmes to protect their interests as tin producers in the face of current uncertainties.

The Ministers of Indonesia, Thailand and Malaysia, meeting in Kuala Lumpur, evolved agreed positions on almost all issues on the agenda.

Sources said that the main point agreed upon was the establishment of an Association of Tin Producing Countries. The agreement was believed to have emerged following Indonesia's support for the proposal.

The proposal was made by Malaysia in February. But it is not known whether the proposal was accepted in toto or with amendments.

The Indonesian Minister of Mines and Energy, Professor Sub-

roto, had said on arrival in Kuala Lumpur on Thursday that no one should expect full agreement in all matters, hinting that Indonesia might have different views.

A senior Indonesian official said at the end of yesterday's session that Indonesia shared the view of the two other Asean tin producers on the question of a producers' association.

Thailand had from the outset expressed support for the proposal but reports from Jakarta indicated that Indonesia needed more time to consider the matter. Datuk Musa Hitam, Deputy Prime Minister, discussed the proposal with top Indonesian leaders during his official visit to the country in February.

Datuk Leong Khee Seong, Primary Industries Minister who accompanied Datuk Musa to Indonesia, later visited Thailand to discuss the proposal with the Thai leaders.

It is understood that the three Asean Ministers have also agreed to other measures to safeguard the tin industry and these include a joint marketing strategy, supply rationalisation and intensification of research and development on the consumption of tin.

Sources said that the Ministers got through the agenda ahead of schedule. The Ministers were originally scheduled to meet for two days. But with the general agreement having been reached among the three, the senior officials are expected to finalise the joint communique today.

The problems faced by the tin industry in the light of the uncertainty over the sixth International Tin Agreement (ITA) were also discussed. Sources added that the meeting discussed "the technicalities of the sixth ITA." This included the question of entry into force of the agreement by July 1.

For the agreement to

come into force provisionally, signatures of consumers and producers accounting for 65 per cent of their respective votes are required. For it to come into force definitively, signatures from both blocs accounting for 80 per cent of their respective votes are required.

So far, consumers with 50.05 per cent of votes have signed the agreement compared with producers with 80.82 per cent of votes.

It is understood that the Ministers also discussed the stand to be taken by them at the Unctad-sponsored conference to be convened in Geneva in early June if the necessary support for the agreement is not forthcoming from the consumers by June 1.

It is also understood that the question of smuggling of tin out of the three Asean tin producing countries was also raised at the meeting.

Countermeasures Against U.S. Sales

Kuala Lumpur BUSINESS TIMES in English 17 May 82 p 1

[Text]

THE Asean tin ministers have come up with effective measures to counter the disposals of tin by the United States General Services Administration (GSA).

Professor Subroto, the Indonesian Minister of Mines and Energy, declined however to elaborate. "We have the measures but we are not going to tell you what they are."

Datuk Leong Khee Seong, Minister of Primary Industries, added that there was no longer any doubt that the GSA has behaved "in blatant violation of the fifth ITA."

He said that when the price was in the middle range, it was debatable whether GSA releases were disrupting the market.

"But now that the International Tin Council (ITC) is forced to impose export quotas to prop up the price the GSA is still releasing tin into the already depressed market," he added.

Datuk Leong pointed out that the tin price has been in the lower range — where the buffer stock manager must remain a net buyer — for some time.

On April 27, the very day that the ITC imposed export quotas, the GSA released 100 tonnes into the market. A few days later it released 40 tonnes, on May 3, 10 tonnes and on May 12 another 20 tonnes.

Since July 1980, when the sales first started, the GSA has disposed of almost 10,000 tonnes of its surplus stockpile — the bulk of it since late last year when the market weakness was already evident.

Datuk Leong noted that despite US assurances there was no doubt now that the releases were disrupting the market.

The three Asean tin ministers at their two-day meeting also agreed that they would individ-

ually and collectively intensify measures to curb smuggling of tin ore, particularly during the export quota period.

Datuk Leong noted that it was not unusual for smuggling to be stepped up during periods of export control. This could nullify the effectiveness of export controls as it increases the supply of tin.

He said, "We will do our very best to curb the smuggling activities in order to make the export control measures more effective and also help increase the revenue earned from tin for the government."

The Thai Industry Minister, Tun Chatichai Choonhavan, said the Thai Deputy Prime Minister chairs a committee aimed at preventing smuggling of tin and Thailand hopes cooperation among the three Asean tin producers would help curb these activities.

CSO: 4220/615

GOVERNMENT ADMINISTRATION TO BE PATTERNED ON INDONESIAN MODEL

Kuala Lumpur BUSINESS TIMES in English 19 May 82 p 19

[Article by Adlai J. Amor in Dacca]

[Text]

A SENSE of relief still pervades throughout this city, more than one month after martial law was imposed. Relief because the coup that the people expected — even looked forward to — really did occur.

Outwardly, it looks as if the country is not under martial law. Soldiers are nowhere to be found and only uniformed policemen, armed with rattan canes, patrol the streets trying to sort out the chaotic traffic of rickshaws.

It is only when one reads the controlled Press — pictures of the chief martial law administrator in army uniform visiting a hospital or reading the text of his birthday message to Emperor Hirohito — does one realise Bangladesh is under martial rule. People do not like talking about it and when they do, they dismiss martial law as a welcome fact of life.

The bloodless coup last March 24 toppled the ineffective four-month-old administration of Mr Abdus Sattar, 75. It brought into power army chief of staff Lt. Gen. Hossain Mohammed Ershad, 52, who is now Bangladesh's fifth national executive since its independence in 1971.

Mr Sattar's short-lived administration was char-

acterised by widespread corruption. He relied largely on his political cronies for advice in governing this impoverished nation of 87 million people.

General Ershad, who is now called the chief martial law administrator, said in a speech after the coup that a massive campaign has started to cleanse Bangladesh of corruption and restore law and order.

He also said his "valiant armed forces had been left with no alternative but to step in at the gravest moment of national crisis caused by the machinations of the corrupt and the criminals." Lt. Gen. Ershad promised to restore democracy and return to civilian rule within two years.

Nearly 300 people have been arrested, many of whom are expected to be tried in special military courts. The Parliament has been dissolved and Cabinet ministers dismissed or arrested.

Coup

Reliable sources said that the coup would not have occurred had Mr Sattar given the army a larger role in governing Bangladesh. Thirteen days after his election last Nov. 15, the army demanded that a Na-

tional Security Council be formed and that the role of the army in national development be clearly defined.

But when formed, the 10-man council was rejected by the army. Lt. Gen. Ershad said that a smaller council would be more effective which would then function as a "supercabinet" and would serve as the highest policy-making body in the government.

This, in effect, would still place the military in control of the government and yet, at the same time, make it appear to the public that a civilian administration is in charge.

Almost simultaneously, army officers began pressing Mr Sattar to name Lt. Gen. Ershad as vice-president. This demand was refused and diplomats believe that it may have instigated the coup.

Observers say that the armed forces' desire for a greater say in national affairs comes from their experience in the last six years in which there were as many as 16 coups, only two of which were successful.

In the process, they lost many of their brilliant officers and soldiers. Rather than let this continue, the generals wanted a more per-

manent arrangement in the sharing of power.

Massive

Clearly, the latest coup has given the army the permanent arrangement for which it has been strongly lobbying. According to reliable sources, Lt. Gen. Ershad will begin revamping the administration and will pattern the new one after Indonesia where the army dominates the government.

Prior to the coup, two key generals — Maj. Gen. Nurudin, chief of the general staff, and Maj. Gen. Mohabbat Jan Chowdhary, director-general of forces intelligence — spent two weeks in Indonesia studying the administrative structure.

It seems, however, that the Indonesian model will not be adopted in its entirety. A former Supreme Court member, Abul Fazal Mohammad Ahsanuddin, has been appointed a new figurehead president.

The government's massive bureaucracy is also being trimmed down; from 42 ministries, it has now been reduced to only 17. Lt. Gen. Ershad has abolished all ministerial posts, preferring to call them advisers, but in effect still functioning as ministers.

Depthnews

LARGE-SCALE EXPANSION OF ESTATE CROP SECTOR PLANNED

Kuala Lumpur BUSINESS TIMES in English 14 May 82 p 19

[Article by Robert Mahoney in Jakarta]

[Excerpts] **REALISATION** that oil alone cannot fuel economic growth needed to feed its 150 million people has prompted Indonesia to embark on one of the biggest and most ambitious agriculture expansion plans in the world.

Over the next six years the government plans to pour billions of dollars into revitalising Indonesia's traditional estate crop sector, such as rubber and palm oil, as part of general effort to boost dwindling revenue from energy exports.

"Our objective is to improve the lot of the small farmer and bring work to the countryside as well as increase exports," said Soedjai Kartasasmita, the assistant to the Agriculture Minister.

He is chairman of a managing body of state-owned companies called Agriculture Sector (SBPN), which is responsible for supervising the 26 individual plantation and crop processing firms, which are the spearhead of the government's expansion strategy.

"The government plans to spend around US\$2.5 billion developing tree crops rubber, palm oil, coconuts, and about US\$1.5 billion on sugar projects in the next five years," he said.

This would involve planting on new ground and rehabilitating run-down estates which, together with the existing successful estates will combine to give a mammoth total of 1.5 million hectares by 1988, with financial help from the World Bank and other institutions.

The sheer logistics of the plan are frightening and the government has put some of its top people to manage it, economists said.

The plan calls for the opening up of countryside to run parallel with Indonesia's huge transmigration programme designed to move some 2.5 million people from overcrowded Java to the other islands strung out 3,200 miles (5,500 kms) along the Equator.

Even so there could well be a shortage of skilled manpower to run the new estates and smallholdings since many of the migrants have spent their lives growing rice and other staples and have little experience of raising tree crops, the sources aid.

But Mr Soedjai said centres were being run with World Bank assistance to train the new plantation workers and consultants, foreign and Indonesian, would be brought in as and when required.

"The political will is there to see this expansion put through," he said.

Under the scheme new smallholders will receive two hectares of land for tree crops, one hectare for food crops and a quarter hectare for a house and garden.

The smallholders would be grouped around a "nucleus estate" with the government-owned plantation company at the centre, processing and marketing all they produce.

"With this the small farmers should be in a position to earn about US\$1,000 a year per family," Mr Soedjai said, noting that the new system should bring them about 70 per cent of the price of their crops instead of the 40 per cent many now receive because of middlemen.

The authorities are hoping that a sizeable portion of the scheme will be backed by foreign investment, although the response from overseas has so far been muted.

All foreign investment in Indonesia must be in the form of a joint venture, with Indonesians holding a majority stake 10 years after the start of commercial production.

Despite the lure of tax and other incentives many potential investors

are hesitating to sink their money in agriculture here because only Indonesians can own the land and foreigners cannot use land they operate under the joint venture as security for debts, according to economists.

Obstacles

The authorities have devised a number of modified ventures including one which allows the joint venture to run the processing and marketing side of an operation and at the same time, if required, provide management for the Indonesian held plantation side.

Further obstacles to investment lie in the existence of export restrictions on some commodities such as palm oil until internal demand has been satisfied. There are also price controls on some crops regarded as essential to the home market. Nevertheless, Mr Soedjai believes these obstacles can be overcome: "under the joint venture we guarantee that foreigners can export at least part of their production."

"And of course the existence of a large domestic market is in some circumstances a distinct advantage," he said. — Reuter

DEVELOPMENT PRIORITIES FOR BATAM ISLAND

Kuala Lumpur BUSINESS TIMES in English 15 May 82 p 3

[Text]

JAKARTA, May 14

THE Indonesian government has completed drawing up a list of development priorities for Batam Island in its bid to turn the island into a free-trade industrial zone.

Chairman of the Capital Investment Coordination Board (BKPM) Suhartoyo told newsmen on Wednesday after a meeting with President Suharto that there were four priorities.

Top priority goes to manufacture of goods entirely for export and using domestic materials and components, and in second place comes production of goods entirely for export but using components imported direct into Batam.

Third priority is reserved for accumulation facilities, such as for coal, on the consideration that Batam is best suited for storage of coal from several coal mines for distribution to coal-using industries and projects.

The next priority is for trans-shipment facilities for both solid and liquid products.

Mr Suhartoyo said the necessary infrastructure on Batam Island should be entirely completed at the end of next year, and BKPM is now engaged in a promotion campaign to attract investors to make good use of the already partly-completed basic facilities. — AFP

PLAN TO MOVE 13 MILLION FARMERS OUT OF JAVA

Kuala Lumpur BUSINESS TIMES in English 15 May 82 p 3

[Text]

INDONESIA is preparing to embark on a mammoth transmigration plan to move some 13 million struggling farmers from crowded Java to outlying islands.

Those to be moved out are farmers having no land or those possessing less than half a hectare of farmland, according to transmigration officials.

The government is stepping up the efforts to resettle a total of 500,000 families during the current five-year plan (1979-1984).

But indications are that the goal may not be met due to a shortage of funds and slow preparations for opening new lands in the jungle-covered islands such as Kalimantan, Sumatra and Irian Jaya.

President Suharto has reportedly called on Junior Minister for Transmigration Martono to speed up the evacuation of people from Java due to the coming wet season.

The World Bank has played a big role in the transmigration project by giving loans to open new lands, build houses and irrigation projects.

Almost 82 per cent of

Indonesia's 150 million people live in Java while the bigger islands are practically empty. But the government has often received complaints from those who have been moved to new resettlement projects outside Java.

One day when President Suharto was touring a transmigration project in West Kalimantan, a villager came over to tell him about the hardships his group was facing in the new place.

The villager said he and his family often had to eat just once a day because rice harvests failed due to the infertile soil in the resettlement project.

Apparently shocked by the complaint, President Suharto immediately ordered his assistant, G.P. Dolihin, to re-examine the soil condition. He promised that the government would be more careful in moving people to outer islands.

The government has adopted a new transmigration policy of "uprooting the whole village" to move all its residents to a new resettlement area outside Java. The policy proved suc-

JAKARTA, May 14
cessful as the villagers had their same neighbours in the new place.

Minister Martono has dismissed suggestions that with the new transmigration policy, the government is in effect moving poverty to new areas.

"The policy is designed to raise the people's standard of living as the transmigrants will get two hectares of land each to support their life, and food supplies for the first six months until they manage to grow rice," he said.

A number of fertile areas in Aceh (North Sumatra), Sulawesi, Kalimantan and Irian Jaya have been designated as new transmigration projects.

Many transmigrants have been successful in their new homes. In north Sulawesi, several Javanese families own large clove plantations and are now rich businessmen.

They often go home to Java by plane to see their relatives and friends, and returned to Sulawesi by ship. — AFP

TENDER SEEN AS TEST CASE OF COUNTERTRADE POLICY

Kuala Lumpur BUSINESS TIMES in English 19 May 82 p 22

[Text]

JAKARTA, May 18.

FIVE of nine international companies short-listed on a multi-million dollar Indonesian government tender have been disqualified for failing to meet the country's stiff new counter-trade provisions, a Department of Trade spokesman said.

Large parts of a March tender for 972,000 tons of fertiliser, seen here as a test case of a new government policy designed to boost Indonesia's non-oil exports, have been reset for tender May 15.

A new policy introduced last January requires foreign suppliers of government contracts to import Indonesian non-oil products equal to the value of their supplies to the government.

The official said the government had disqualified Philipp Brothers and International Commodities Export Co, both of the US.

Japan's Mitsubishi Group, the Algerian-based Alkemal Fertiliser Company and Canada's Amitrex from their portions of the approximately US\$165 million tender.

The only companies so far receiving awards have been the Romanian state fertiliser trader Danubiana and the Singapore-based trader Fredlecker. Industry sources said two other companies, the US-based Union Oil Chemical Co, and Singapore's South-East Asia Fertiliser Co Ltd were still negotiating with the government.

Some traders said they were unable to meet the new government conditions because Indonesian exporters could not guarantee quality or delivery of goods, while others balked at the hefty 50 per cent cash value penalty stipulated for failure to meet the counter-trade provisions.

CSO: 4220/617

ABRAMOWITZ THOUGHT TO BE TOO CONTROVERSIAL A FIGURE

Kuala Lumpur BUSINESS TIMES in English 24 May 82 p 2

[Text]

INDONESIAN Foreign Minister Mochtar Kusumaatmadja said yesterday he hoped the controversy over the choice of a new US ambassador to Jakarta would not affect the good relations existing between the two countries.

Dr Mochtar was speaking following a statement by Secretary of State Alexander Haig expressing regret that Indonesia had withheld approval for veteran diplomat Morton Abramowitz as ambassador.

The important thing was that Washington had said it would present another candidate for the post, the minister told *Reuters* in an interview.

Dr Mochtar denied

suggestions in the American Press that Jakarta's objections to Mr Abramowitz, a 49-year-old career diplomat, were connected with the fact he is Jewish.

"Whatever consideration we may have for not yet responding to the request (for approval of Mr Abramowitz's appointment) it has nothing to do with Mr Abramowitz's religion," the minister said.

An authoritative Indonesian source said the real reason Jakarta felt Mr Abramowitz might not be the best person as envoy here was because he was a controversial figure in his own country and Indonesia did not want that controversy to colour or distort bilateral ties.

JAKARTA, May 23

Mr Abramowitz, who was most recently US ambassador in Bangkok, was involved in internal US arguments over the relative merits of career and non-career diplomats and was closely connected with various Carter Administration policies which had apparently made him unpopular with some sections of the Reagan Administration, the source said.

"It is simply our belief that a figure less controversial in his own country would be better fitted for the job," the source said.

The post of US ambassador here has been vacant since November last year. — *Reuter*

CSO: 4220/617

NO FAMINE IN EAST TIMOR BUT FOOD SHORTAGE POSSIBLE

Kuala Lumpur BUSINESS TIMES in English 24 May 82 p 21

[Article by Peter Griffiths in Dili]

[Excerpts]

SIX years after Indonesian troops waded ashore on the coral beaches of East Timor, a few are still dying in the parched hills rising behind Dili, capital of this former Portuguese colony.

But by all accounts their foes, guerillas of the leftist Revolutionary Front for an Independent East Timor (Fretilin), are virtually beaten, with only about 100 properly-armed fighters still operating from rugged mountain hideouts.

The guerilla war may be ending, but Jakarta is still in the thick of a diplomatic battle to win international acceptance for its integration of the region as the country's 27th province in 1976.

Indonesia won control of East Timor after a bloody three-year campaign beginning in mid-1975 with clandestine operations from Indonesian-ruled West Timor. It grew into a conflict that claimed the lives of 800 Indonesian troops.

The guerilla war and a subsequent disastrous famine killed an estimated 100,000 Timorese and provoked an international outcry.

Portugal, which left East Timor after 400 years, supports an annual United Nations resolution rejecting Indonesia's claim to the territory and calling for Timorese self-determination. The resolution is adopted with an ever-narrowing majority.

The Timor question colours, some say distorts, Indonesian foreign

policy. The country is to open embassies in Black Africa soon apparently with the main intention of getting the Africans to change their UN vote. Foreign Minister Mochtar Kusumaatmadja devotes a great deal of energy to lobbying over, this tiny, parched and barren island.

Timor arouses stronger passions in Lisbon and New York than it does in Dili. In Australia, closer to the province than Jakarta 2,400 kilometres (1,500 miles) to the east, it has become a political football with politicians, Catholic aid officials and Timorese emigre groups engaging in a squabble over whether there is still famine here.

Catholic relief and the International Red Cross (ICRC) began emergency relief in September 1979. Aid workers described scenes as bad as anything they had seen in Biafra with 300,000 of the 600,000 population facing famine.

In April last year, the ICRC ended its emergency programme but will continue limited assistance until the end of next month. A recent ICRC report said drought last year had destroyed plants, a plague of rats attacked crops and that military operations caused insufficient planting in some areas.

A food shortage was possible this year, it warned, and buffer stocks should be set up.

This correspondent saw no signs of famine in Dili or the villages he visited, though most sources, including Indo-

nesian officials, said there could be serious problems in remote areas out of reach of relief supplies.

The food question has become a political minefield. Jakarta refused a 1,000-tonne gift of Australian corn when officials became enraged at Australian Press reports of Timor famine.

The reports ostensibly quoted the Apostolic administrator in Dili, Monsignor Martinho da Costa Lopes, but former Australian Prime Minister Gough Whitlam said after a visit to Timor in March that the bishop was lying about famine and had "perpetrated a wicked act."

Mr Whitlam, as Prime Minister in 1974, is believed to have given President Suharto what was regarded in Jakarta as a "green light" to annex the territory.

The bishop says he did not report there was famine, but only that widespread hunger was possible later without food aid.

Eager to improve its image over East Timor, Jakarta is spending vast sums on development. In the 1982/83 fiscal year US\$84 million have been allocated to the provincial budget and to develop roads, irrigation, housing and schools.

Last July, August and September, some 80,000 civilian Timorese were conscripted to take part in a major anti-Fretilin operation, but there again food became an issue.

According to Colonel Kilangi, whose title is

Secretary to the Timorese Governor but who effectively administers the territory, the operation was a military success.

Troops sweeping between civilian picket lines killed 200 Fretilin, he said, cutting the guerillas fighting force by two thirds. Six Indonesian soldiers and 20 Timorese irregulars died.

But some Timorese sources said the operation did much harm to relations between the military and the people and cited cases of civilians not receiving food while they took part.

Ten minutes by helicopter from Dili lies the tiny Atauro Island, used by the Portuguese to confine political prisoners. Today, 3,352 "temporarily displaced" people inhabit 80 wooden barracks complete with electricity and even television.

Nearly 4,000 families suspected of helping Fretilin have been deported to Atauro to join 5,000 indigenous people who scrap a precarious living from the thin rocky soil and the sea.

Indonesian officials say the families were moved to prevent them supplying food and information to Fretilin relatives in the hills and, in some cases, to prevent Fretilin threatening them and taking food from them by force.

According to official figures, verified by the ICRC, some 300 of the deportees have already returned to their villages.

— Reuter

PERTAMINA HEAD ENCOUNTERING SOME OPPOSITION

Kuala Lumpur BUSINESS TIMES in English 26 May 82 p 19

[Article by Pamela G. Hollie in Jakarta]

[Text]

JUST a year ago, Brig. Gen. Joedo Soembono was named president of Pertamina, the Indonesian national oil company that supplies more than 70 per cent of this nation's national revenues. His problems: rampant corruption, mismanagement and an unwieldy company that had grown far beyond oil to become mired in debt.

Some progress is evident. In a first-quarter report to the Indonesian Parliament, Gen. Soembono proudly reported that Pertamina had reduced its corporate debt to US\$2.5 billion from the 1975 high of US\$10.6 billion. The company, which seldom releases any financial figures, also said it expected to earn US\$845.3 million before taxes in the year ending March 31, 1983, on revenues of US\$9.4 billion.

But the worldwide oil glut, cutbacks in Indonesian oil production and what the general describes as plots to oust him are slowing his efforts to restructure the company. So is continuing corruption. In a much quoted statement, Gen. Soembono said: "I want

Pertamina to be clean, disciplined, accountable and auditable."

In 1975, Pertamina's debts had threatened to bring the entire country into a credit collapse. A huge rescue effort by the Indonesian central bank and a group of foreign banks saved the situation. But subsequent investigations, which un-

covered layer upon layer of corruption, damaged the reputations of both Pertamina and the government.

A clean-up under Maj. Gen. Piet Haryono seemed under way. Then last year, an investigation into missing oil supplies unravelled a US\$12 million oil piracy ring involving middle-level Pertamina officials and employees. More than 100 people were dismissed, and trials began on March 15.

Gen. Haryono retired, and in April 1981 President Suharto appointed Gen. Soembono, a 20-year Pertamina employee who had been a friend of Lieut. Gen. Ibnu Sutowo. It was Gen. Sutowo who had both built Pertamina to major status and led it into non-oil activities and near financial collapse.

Gen. Soembono's plans were to reduce Pertamina's interests in non-energy ventures and bring the company under a single management system to eliminate the company's mini-empires. He cut staff. "In most cases, I removed them because they were stealing from Pertamina," he was quoted as saying, "or because they had no guts."

But then came the world oil glut and, on April 1, a cut in Pertamina's production of 10 per cent, to 1.3 million barrels a day. The result could be a balance of payments deficit for Indonesia of as much as US\$2.5 billion, compared with a surplus of US\$2.1 billion last year. Indone-

sian crude oil exports are expected to earn at least US\$3 billion less than earlier projections of US\$15 billion this year.

Gen. Soembono, who reduced the company's debt by turning over assets to the government, by liquidating certain non-oil projects and settling other obligations in cash, is suddenly under attack for having given away some of Pertamina's more attractive assets and becoming too dependent on oil. Before it began to pare down, Pertamina had been involved in real estate, hotels, office buildings and insurance, in addition to owning an airline, the Pelita Air Service.

There is also some fear that Pertamina has alienated some friends in recent months. Gen. Soembono cut all trade relations with a number of traders after the oil piracy scandal, without much regard to their possible involvement in short-changing the company. He said he wanted to give Indonesians more opportunities to become involved in the business. As of April 1, he terminated all cross-purchase agreements which allow the swapping of crude oil for refined products.

In addition, Gen. Soembono has plans to squeeze more revenues from its oil agreements with foreign companies engaged in exploring and producing here. Last August, at the end of a 10-year production-sharing contract with the Atlantic Richfield Company, Pertamina shut down the

Arco oilfield.

Pertamina was said to be dissatisfied with its return as a result of a clause that allows foreign contractors to recover all exploration and development expenses before paying Pertamina its 85 per cent share of production.

Pertamina and Arco are said to have reached a tentative agreement on the contract after eight months of on-and-off negotiations, but no details have been announced.

Gen. Soembono, who takes credit for reducing the corruption, the cumbersome internal bureaucracy and at least US\$500 million of Pertamina's debt, now says there is manoeuvring to oust him.

His internal clean-up programme, he says, has alienated some of Pertamina's 45,000 employees, as well as some Members of Parliament.

"They are the same people who want to put their own man here so that they can meddle with Pertamina," the general said. "Those who want to meddle with Pertamina for their own gain know they can't do it while I am here."

On the other hand, the general's own record may not be absolutely blemish-free. He and a number of other Pertamina officials have been linked with charges of corruption in a lawsuit involving the transfer of oil money to Singapore banks when Gen. Sutowo was Pertamina's president. The suit is pending in a Singapore court. — NYT

NEPAL'S SUCCESS WITH BIOGAS PRODUCTION NOTED

Kathmandu THE RISING NEPAL in English 4 Jun 82 pp 1, 8

[Text]

Kathmandu, June 3-

Nepal, which has 'very successfully' implemented biogas plants in different parts of the country can in fact 'set an example before the world' as to how a simple gobargas plant can be a reliable alternative source of energy.

This was the opinion of a number of the participants at the international workshop on Microbiological Aspect of Biogas Production whom this reporter talked to, at the concluding session of the workshop in Lalitpur today.

Some thirty participants representing different countries including Afghanistan, the People's Republic of China, India, Nigeria, Swaziland and Nepal were yesterday taken to Mahadevsthan Village Panchayat in Kavre district where some fifteen gobar gas plants have been set up with loan assistance from the Agriculture Development Bank.

Referring to their visit to the plant site, the participants told to this reporter that Nepal had recorded a "unique breakthrough" in commercially implementing the plants in rural areas.

Such plants in some other countries, however are learnt to be under full government control as a result of which "we have not seen such progress as Nepal has".

The gobargas plants in India, for instance, one participant from India said, were "subsidised" by the government through the Khadi and Village Industries Commission as a result of which it could not catch the same momentum as in Nepal.

The four day international workshop which was opened last Monday was jointly organised by the Institute of Science and Technology, Tribhuvan University, United Nations Educational and Cultural Organisation (UNESCO) and the Committee on Scientific

and Technology in Developing countries (COSTED).

When asked about UNESCO's association with the biogas plants, the UNESCO Acting Director Dr Vannucci said that her organisation provided research and scientific services to the individual countries to help them install such plants. Apart from this, the UNESCO also provides training facilities to train technical manpower needed for such plants.

The representative of the COSTED was not available for comment.

According to the Dean of the Institute of Science and Technology, Dr Suresh Raj Chalise, the workshop provided Nepalese personnel an opportunity to

meet and share experience with foreign experts.

A Nepalese participant described the workshop as 'informative'.

According to workshop sources, participants have suggested that regional cooperation on the study of microbiological aspect of biogas production be worked out.

They have also reportedly suggested that a greater number of demonstration laboratories be set up and the plants be popularised among the people.

Meanwhile it is learnt from concerned sources that there are about 1200 biogas plants in different parts of the country. Four thousand such new plants are expected to come up in the next two years.

LEFTIST LEADER ASSAILS ECONOMIC, POLITICAL PERFORMANCE

Kathmandu THE MOTHERLAND in English 1 Jun 82 pp 1, 4

[Text]

Leftist leader Dr. Keshar Jung Rayamajhi lashed out at the government for its performance in the political and economic sectors during the past one year period at a press conference held here yesterday.

"The only bright aspect of the national politics was the pursuit of the processes of democratisation without the government imposing any restrictions," he said.

The same however was not true in the districts where the local administration created hurdles for the people in their efforts to exercise democratic right such as

raising voice against unfettered corruption and undemocratic administrative practices.

He pointed out that the general elections and the local panchayat elections made the people aware of their political responsibilities and said "but the government is apparently chary about it. It did not put more than perfunctory and half hearted efforts to create a situation wherein the people enjoyed in full the rights provided by the Constitution."

Dwelling on the economic problems troubling the people, Dr. Rayamajhi said the unplea-

sant fact that the economic situation of the country and the living standard of the people continue to deteriorate is there for all to see. The recent hike in the price of rice and other essential consumer items has further crystallised it.

Quoting statistics, he said while on the one hand the government people about the cause of the price spiral.

Dr. Rayamajhi also demanded that a peace commission be formed in Nepal to promote the underlying cause of her zone of peace proposal.

BINTULU LNG PLANT 95 PERCENT COMPLETE

Kuala Belait BORNEO BULLETIN in English 8 May 82 p 3

[Text] **BINTULU.** — The first liquified natural gas to be shipped from Sarawak should be loaded onto a Malaysian tanker in January next year if progress on the giant Bintulu plant remains as well on schedule as it is at the moment.

The massive M\$3 billion LNG plant on the outskirts of Bintulu at Tanjung Kidurong is now about 95 percent completed and should be ready for operation by the end of this year.

According to an official of the Malaysian national oil company, Petronas, the plant, the largest single engineering venture undertaken in Malaysia, is everything the company had hoped it would be.

An agreement to build the plant was signed on March 31, 1978 and Malaysian Liquified Natural Gas was formed with Sarawak Shell and Mitsubishi of Japan each taking 17.5 percent and Petronas from Kuala Lumpur taking the remaining 65 percent.

Mitsubishi is heavily involved in the actual construction of the plant but it will ultimately fall to Shell to operate it and the offshore gas fields which will supply it.

Most of the gas for the plant will come from wells in the Central Luconia field, a desolate stretch of water between 125 and 275 kilometres (77 and 170 miles) offshore from Sarawak, an area discovered for its gas-bearing potential by

Sarawak Shell.

The field is in between 200 and 400 feet of water and the gas will be piped ashore along an 86 mile (139 kilometre) 26 inch diameter pipeline to the liquefaction plant at Tanjung Kidurong.

This plant, which has so far employed more than 4,000 people during its construction and has made Bintulu the true boom town of Sarawak, will be the largest in the world once it is fully operating, outstripping its neighbouring one run by Brunei Shell Petroleum at Lumut and a giant facility on the coast of Algeria in North Africa, which so far has not come fully on stream.

After complex process-

ing in the new plant, the liquid gas will be shipped to Japan on board five gas carrying tankers built for and operated by the Malaysian International Shipping Corporation, in much the same way Brunei ships its gas the 2,500 miles (4,032 kilometres) to its Japanese customers.

And like Brunei, the two most important customers for MLNG in Japan will be Tokyo Gas and Tokyo Electric, who need the gas to provide power for hungry consumers in the densely populated industrial areas of the Japanese capital.

The Brunei LNG plant also supplies Osaka Gas in addition to the two Tokyo companies.

To be completed at Bintulu in the near fu-

ture are the gas storage tanks, the process module and the water cooling system and then it will be simply a matter of commissioning before the plant comes on line near the deepwater port at Tanjung Kidurong, destined to be one of the most important maritime facilities in Malaysia.

Next year's production of gas is expected to be 1.5 million metric tons, increasing once teething troubles have been sorted out to three million metric tons the following year and to 4.5 million metric tons by 1985.

The plant itself is capable of handling up to six million metric tons of gas a year, which is equivalent to oil production figures of 150,000 barrels a day, about the level being produced in Brunei at the present time.

When full operation the plant will employ between 300 and 400 people compared with the 4,000 used during its construction.

Many of the final employees will be hired locally and trained by expatriate engineers and technicians brought in from overseas to run the complex system, again with many coming from Brunei where they will have gained experience on the first LNG plant of any size in the world.

Shell petroleum engineers estimate the Central Luconia field and the surrounding areas have enough natural gas to supply the Tanjung Kidurong plant for at least 20 years, putting Malaysia into the big league in energy producers.

GOVERNMENT WILL ADOPT JAPANESE ADMINISTRATIVE PROCEDURES

Kuala Lumpur NEW STRAITS TIMES in English 13 May 82 p 1

[Text]

KUALA LUMPUR, Wed. — Government administrative machinery will be revamped Japanese-style to stimulate greater efficiency and co-operation among civil servants in all categories, Datuk Seri Dr Mahathir Mohamad said today.

He will be discussing with the Public Services Department the best possible way to implement it.

"We have to find out how we can spread this work ethic as widely and as quickly as possible," he told newsmen on his return from a six-day visit to Japan.

The Prime Minister said the Malaysian administrative machinery is based on an elitist system which can be improved upon.

"Our system follows the West who now themselves agree that the Japanese system is better."

"So if we want to follow, it is better to follow the system that is better."

Specialist

He noted that the Japanese system will be implemented as an ongoing process.

"We do not have to follow a hundred per cent... what is not good for us, we can leave out."

He said the private sector should also adopt the Japanese system as it too tends to follow the elitist concept which "is not very good".

Explaining the Japanese system, Datuk Seri Dr Mahathir said specialist personnel in the country also have all-round experience of the work they are involved in.

The Japanese, he observed, start work from the lowest category such as at the production line in the factory and from there, move up from one field to another before being promoted to management.

"The managers in Japan know what goes on in the factories and are aware of the problems that may arise."

Attitude

"According to the Western system, managers only learn the job from a distance... but the Japanese know what goes on on the shop floor."

Due to this, he said, the attitude of Japanese managers to workers is different and there is close co-operation among them.

He said "we should learn from Japan not only production technology, but also the way they run their industry".

CHARGE THAT INTERNATIONAL BANKING USED AS POLITICAL TOOL

Kuala Lumpur BUSINESS TIMES in English 24 May 82 pp 1, 24

[Article by Charles Chan]

[Text]

DATUK Musa Hitam has warned against the tendency among certain big powers to manipulate the international banking system and multilateral development agencies to achieve their political ends.

Such actions serve only to impede efforts to resolve North-South issues and efforts to build a just and new international economic order.

"If the voice of moderation and reason continues to fall on deaf ears, then you cannot blame the South for taking the harder line," he said in a keynote address at the Euromarket Institute in Vienna on Friday.

Datuk Musa, whose speech was released here yesterday, was obviously referring to recent attempts by the United States to use the international banking community and the multilateral development agencies as instruments of its foreign policy.

He said increasing pressure has now been exerted to imbue the developing countries with free market philosophy, particularly through the imposition by multilateral agencies of terms and conditions in their lendings that cover a broad range of economic

and social issues that impinge on the political sovereignty of the countries concerned.

He warned that it is precisely this same laissez-faire philosophy that is preventing the solution of the fundamental problems of the world today.

"The tragedy, to me, is that all this activity is hurting the friends, and not the enemies, of free enterprise," he added.

Datuk Musa said banks have expressed concern that they are being used as the lever in big-power politics.

"They have called attention to the pressure brought to bear on them to stop lending to a specific region and the possibilities of triggering off the whole chain of cross-default clauses to spite those on the other side of the political fence.

"This attempt to use banking in power-bloc politics may be seductive politically, but in my opinion is not conducive to international political stability.

"The international financial markets rest on a complex set of linkages, which is founded primarily on confidence and a minimum of political intervention," he said.

Another equally serious development of great concern (to developing

countries) is the use of the banking system as a weapon to settle political conflicts between nations.

He said the freezing of financial assets of foreign countries in commercial banks highlighted the need of depositors to distinguish between the international financial centres which were free from political intervention and those which were not.

"Such a choice is a setback to confidence in the international banking community, which has been so carefully built up over the years," Datuk Musa said.

"To us in the developing countries, therefore, it is clear that the politicisation of international banking is an alarming trend that must be resisted.

"This resistance can be achieved through the awareness that the banking community is part of the global electorate and not a tool to be wielded when convenient for ideological purposes.

"It can be achieved through the awareness that the greater good can be attained only through the cooperation and consensus of the world at large, and not the will of one single nation, however powerful it may be,"

he added.

Datuk Musa said the oil shock had resulted in non-oil developing countries facing large payment deficits and depleting foreign exchange reserves.

But bankers should not succumb to their natural instinct of directing credit away from developing countries at precisely the time of need.

"The good banker is one who should take the long and objective view in assessing the sovereign risks of developing countries," he said.

He warned that the use of short term indicators in assessing sovereign risks could only inject a bias in credit ratings that had generally worked to the disadvantage of developing countries in their access to the capital markets and also the terms of their borrowing.

He called on developed and developing countries to cooperate in solving the common problems faced by the world today.

The solutions, however, cannot be found in using the excuse of political and budgetary restraints to reduce the flow of bilateral aid and financial support for the multilateral agencies like the World Bank, IMF and ADB.

DIRECT TALKS WITH KARMAL REGIME SUGGESTED

Lahore VIEWPOINT in English 20 May 82 p 14

[Text]

MALIK Muhammad Qasim, General Secretary of the defunct Pakistan Muslim League (Khairuddin) has suggested direct bilateral talks with the Karmal Government instead of having them with a 'representative' of the Kabul regime through 'America' or at Geneva.

Addressing a news conference at his residence on Friday, he said that the Government had finally acknowledged that there was a Government in Afghanistan and was ready to settle matters with it through negotiations. Though belated, it was a welcome decision. However, direct parleys with the Karmal regime would be more positive and expeditious, he thought.

Malik Qasim was critical of what he termed as 'confusing' and 'contradictory' statements in regard to the Constitution, the mode of elections and candidature qualifications for the legislators.

"Disappointing"

The Secretary-General of the defunct PML said that the Government's performance during the past five years had been 'disappointing'. For the first time since the creation of Pakistan, India had laid claim to Gilgit and Baltistan.

As far as Islamisation was concerned, except for the introduction of a

few punitive measures, nothing had been done.

The Government claim, however, was that there was full freedom of expression. If that were so, why were Nawabzada Nasrullah Khan, Asghar Khan and Benazir Bhutto still under detention?

Malik Muhammad Qasim said that it was being argued that in the presence of the Holy Quran, there was no need for any constitution. If that were so, why then all these Martial Law Regulations and the Interim Constitution Order? he asked. He said that no Islamic State could be administered without an Islamic Constitution. In Pakistan, each and every past constitution, including that of 1973, provided that no law repugnant to the Quran and the Sunnah could be enacted. He said that the nation as a whole, including the councillors who were supporting the present Government directly or indirectly were of the unanimous view that the 1973 Constitution be restored. So far as the number of the political parties was concerned it was not more than 12 or 13 whereas the Government was putting it at 78 or more.

He suggested that instead of 'confusing' the people, the Government should take the nation into confidence and general elections should be held under the 1973 Constitution.

PLAN TO BASE ECONOMIC SYSTEM ON ISLAMIC PRINCIPLES

Kuala Lumpur BUSINESS TIMES in English 20 May 82 p 19

[Article by Mohammad Ziauddin in Islamabad]

[Excerpts]

PAKISTAN'S attempt to Islamise its economic system has evoked considerable curiosity and apprehension both at home and abroad.

The problem is that there's no established theory or practice in the world's economic system that can be called purely Islamic. There are some Quranic do's and don'ts and isolated practices which were in vogue in ancient times.

The only common ground among the various schools of thought on the Islamic economic system seems to be limited to the Quranic injunction against "interest." The Quran refers to "interest" as haram (impure) in very ambiguous terms.

To avoid drastic doses of its new economic system, Pakistan is implementing its economic Islamisation programme in stages. Under the first stage, interest-free counters are found side by side with interest-bearing counters.

The interest-free counters are designed as profit and loss system (PLS) counters. During the first year of the PLS, the system attracted over 11 per cent of total bank deposits.

At the end of the first year, banks declared an 8.5 to 9 per cent profit in the PLS savings accounts. On the other

hand, the interest-bearing savings accounts reported only 7.5 per cent profit.

Similarly, PLS-fixed term certificates earned from 14.5 to 15.5 per cent profit over a period of five years as against the interest rate of 12.75 per cent for the same period.

Vital

The interest-free depósitos are funnelled into the following:

- Financing of commodity operations of the federal and provincial governments and their agencies on the basis of the mark-up in price.

- Export bills purchased under letters of credit on the basis of foreign currency bills exchange rate differential and rupee bills commission.

- Investment in ordinary shares, National Investment Trust units, participation term certificates and inputs based on transaction of the Investment Corporation of Pakistan and the Bankers Equity Ltd on the basis of profit and loss sharing, as the case may be.

- Provision of finance to the House Building Finance Corporation on profit and loss sharing.

- The financing of the

entire trading operations of the government-owned Rice Export Corporation, Cotton Export Corporation and Trading Corporation of Pakistan on mark-up basis.

The banks are expected to enter the next and more vital phase of interest-free operations from July 1 this year when they start providing working capital on the basis of profit and loss and financing of fixed assets on hire-purchase basis.

Machinery and equipment may be leased to qualified borrowers. Rentals during the fixed period would be sufficient to amortise the capital, and also yield reasonable profits. In such cases, the bank concerned will exercise ownership over the machinery but hand it over to the lessee after payment of his bank obligations.

Under the hire-purchase system, the ownership of the machinery will be jointly exercised by the bank, entrepreneur and consumer. In addition to the repayment of capital, the bank will also be entitled to a share of the rental.

At present, fixed investment in industry is being financed by way of debentures, long and medium-term loans.

In the PLS system, the debenture is replaced by

an interest-free instrument called participation term certificate (PTC). Like the debenture, the PTC is a negotiable financial paper and has a fixed term, and redeemable at a fixed rate of interest but only to the extent of the principal capital in case of loss. In case of profit, the PTC holder shares in it.

The Islamic system makes no provisions for the liquidation of bankrupt business enterprises. Partnership in profit and loss binds a bank in case of losses to reduce or surrender its returns. Banks act as partners in the enterprise, instead of pure creditors. As a partner, the bank helps losing enterprises to overcome their financial problems and regain their viability.

However, there has been considerable controversy over the question of mark-ups. Some believe that it is interest with a different name. Thus far, the areas where profit and loss accounts can operate can be said to carry no element of risk for the investors, who are guaranteed a 20 per cent profit.

But considering the novelty of the Pakistani experiment, many potential investors prefer to watch on the sidelines, waiting how things will turn up before jumping onto the bandwagon. — Depthnews

VARIOUS LOANS DURING MONTH REPORTED

Lahore VIEWPOINT in English 20 May 82 p 13

[Text]

THIS has been a loan-getting month for Pakistan with the World Bank suggesting fiscal remedies for our economic ills.

After granting a \$ 140 million "quick disbursing Structural Adjustment Loan (SAL) earlier this month, the World Bank on May 13 agreed to give a \$ 50 million IDA loan to Pakistan for the rehabilitation of its railway network.

The decision came after long discussions between the IBRD and a Pakistan delegation in Washington in which the latter refused to accept the former's proposal for an increase in passenger fares and freight charges before the fiscal year 1983-84 as a precondition for the loan. The talks had been deadlocked for nearly a week over the World Bank insistence that the passenger fares and freight rates be increased immediately "to offset the large gap between the operational costs and the income derived from the railways".

'In principle'

At last Islamabad agreed "in principle" to the fare increases, but pleaded its unwillingness to introduce them with immediate effect. The Pakistan delegation also promised to undertake a study by December this year to find measures that could reduce the operating costs.

The \$ 50 million IDA credit is the 11th in the World Bank series of loans to the Pakistan Railway and is interest-free.

Another credit of \$ 14 million, approved by the International Development Association (IDA) last week, is for the improvement of the irrigation system in Baluchistan.

The loan will be used in a project aimed at providing training and technical assistance in hydrology, irrigation, design engineering, agronomy and water management. The project, it is claimed, will double the incomes of some 12,000 farmers and benefit an additional 2,500.

Co-finance of \$ 13 million is expected from the Federal Republic of Germany and \$ 2.1 million from the Netherlands.

CSO: 4600/46

DANGERS OF SOVIET, AMERICAN INTERVENTION DISCUSSED

Karachi JANG in Urdu 28 Apr 82 p 3

[Article by Mir Abdul Baqi Baluch: "An Important Problem of Iranian and Pakistani Baluchistan"]

[Text] This writer met with an important Iranian Baluchi tribal ruler and political leader a few weeks ago who had come to Pakistan from Europe to see his Pakistani Baluchi relatives, and how has gone back to Europe. Among other things he told me about his recent meeting in Europe with a Pakistani Baluchi tribal chief and political leader. The Iranian Baluchi ruler said to the Pakistani Baluchi chief, "Everywhere among the Baluchis there are rumors that the Pakistan government was secretly paying him the heavy expenses of his stay in Europe. Why is this?" Upon which the Pakistani Baluchi chief immediately answered, "Has the Soviet Union died that Pakistan should pay my expenses?" And when it became clear that the Pakistani Baluchi was a Soviet agent the Iranian Baluchi along with his relatives warned him in no uncertain words that "If you are a supporter of the Soviets, then in the event of any Soviet inspired trouble in Baluchistan, we will fight a war against you."

After the revolution in Iran most of the Baluchi rulers (chiefs) there emigrated and are living in other countries, especially Europe and America, where they have ties with those other Iranian leaders who are either supporters of the Shah or against the Ayatollah Khomeyni and who are counting the hours until America overthrows the present government in Iran and they can return to their homes. But while they wait they look to America and its friends, to guarantee their expenses, just as some Pakistani Baluchi chiefs are looking towards the Soviet Union and its friends for this purpose. These two groups are very cleverly exploiting the national feeling and kindheartedness of the simple, ordinary Baluchi laborers working in the Gulf who are conscientious, sincere, and financially better off than average. These groups are demanding financial sacrifices from these workers in the name of "Baluchi freedom" so that they can continue their regal expenditures while they are living outside the country. The two groups, each according to its preference, are busy trying to make the Soviets and the Americans believe that it is the most influential among the Baluchis, and that the best fighting guerrillas are under its command, making it the most worthy seeker of

material and weapons assistance. And they also keep ordering the very few agents they have to undertake guerrilla actions every so often in the nearly impassable mountains in order to impress the external powers. Then they build up these actions as much as they are able and present them to the suppliers of aid so that the aid will continue. Since the leader of each group wants to establish and prove his own importance, they are also, according to their tribal temperament, inevitably engaged in opposing the tribes and their leaders who are their traditional enemies. And they also tell the true number of the agents of their opponents, which is very small, but they incredibly exaggerate the number of their own men. By this action the true situation of each becomes known to the suppliers of aid. Even so, for the sake of expediency, the external powers try to keep them all happy and use them all because they cannot get any alternative people for these purposes in these areas. All of those important people of the Iranian Baluchi tribes who are opposed to the present government there and who are outside the country, are disunited. Rather they often, even in such a situation as this, fight each other's agents, although they all look to countries under the influence of America and the Soviet Union for aid. The same situation is true of those Baluchi leaders of Pakistan who become opposed to some government here and look to a certain kind of country for external aid. It seems that, whether it be the Iranian Baluchi rulers or the Palistani Baluchi chiefs, they cannot forget their traditional tribal enmities and enemies, and cannot unite even in their own best interests. They are certainly expert at obtaining aid from interested external powers according to the demands of the modern age, just as, until a few years ago, they were expert at robbing the common people among the Baluch and sucking their blood to pay for their regal expenses. In the entire Baluchi region there is no alternative system for the common people where power can be in the hands of the ordinary Baluchi people. That is why the entire Baluchi society is divided into small pieces like this. This problem is common to the Irani, Pakistani and Afghani Baluchi areas, and in the present international situation is very frightening, as the thinking of the traditional leaders is limited to obtaining their individual and family self interests in the name of each tribe, while the Baluchi region, divided but contiguous in these three countries, is not only important for the security of the Gulf and South Asia, but also very important for the world of Islam and for world politics as well. The importance of these regions is not due to the people living in them but to their geography, and that too particularly because the Soviet Union, whose gaze has for centuries been centered on the 900 mile long coastline of Irani and Pakistani Baluchistan, has for all practical purposes penetrated Afghanistan and controls the Baluchi areas there which are contiguous with the Baluchi areas in Iran and Pakistan. If there is further delay in making an effective system for the common Baluchi people in this region, separate from the tribal chiefs and rulers who look toward foreign powers, it can have very grave consequences. If the Soviet Union tries to make use of the chiefs who are its agents then inevitably America will use the chiefs and rulers who are its agents against them, and in the first scene of this bloody drama Baluchis will cut the throat of Baluchis, because traditional tribal enmities and friendships will secretly take the form of enmity and friendship with the Soviet Union and America. Although this action will begin with the few armed agents of the chiefs and rulers who

will be fighting each other, ordinary unarmed Baluchis who have no interest in these groups will inevitably be the fuel for the fire they start, and when the Soviet Union and America jump into the field of battle directly, not only Baluchistan but all of Western and Southern Asia will be destroyed. The common poor people among the Baluchis will gain nothing but death, while the important Baluchis and their families will be sitting comfortably in the Soviet Union, Europe and America.

The Soviet Union had barely entered Afghanistan before 60,000 of the 90,000 Baluchis living there had sought refuge in Pakistan, and several thousand had been forced to seek refuge in Iran. Afghan airplanes have several times violated the Pakistan border and bombed innocent Baluchis in the district of Chaghi where 60,000 Baluchis had crossed the border and taken refuge in Baluchistan. Just recently the Soviet Union has apologized to Iran because the Soviets had crossed the border from Afghanistan and on 6 April, 1982 had penetrated 3 miles into Iran and killed 50 Baluchis who had sought refuge there. That is, the Soviets had chosen to violate the borders and bomb those areas of Pakistan and Iran which are the Baluchi areas adjoining Afghanistan, where the Afghan Baluchis had come to take refuge. When the Soviets reached Afghanistan and took control of a relatively small Baluchi area the Baluchis there went on foot to Pakistan and Iran. Despite this, the Soviets did not let those Baluchis escape, and bombed and murdered them, even though the Baluchis are only 90,000 out of a population of 1,750,000 in Afghanistan, while there are more than 3,000,000 other refugees too. Can't we tell the Soviet intentions from this? That they consider the Baluchis the greatest obstacle in their path? If, God let it not be so, the Soviets should penetrate Iranian and Pakistani Baluchistan, what will happen to the poor ordinary Baluchis? Ahead there is the ocean and behind them the Soviet Union. The Afghan Baluchis had the land of Pakistan before them where they took refuge. Where will the poor ordinary people of the Pakistani and Iranian Baluch be able to go? The chiefs, of course, are living with their families in Europe, America, etc, and will be living there in the future, and will call the rest of the chiefs and their relatives there before any important action. But where will the ordinary Baluchis like us be able to go?

On the other hand there is Iran, for whom America is lying in ambush. Although the Baluchi rulers who are against the Khomeyni government in Iran where the targets of oppression at the hands of the Pahlavi family for half a century, and some became apparently pro-Shah in order to survive, in their hearts they were never pro-Shah. In the present situation, for them to go back to Iran would be like climbing into the jaws of death, although if they could be certain that the present government of Iran would let them live in their homes with honor they would be loyal to this government too. Living away from their homes in another country where they don't have their usual sources of income, and have just living expenses, and that too on a European standard, what can they do? Inevitably they will be dependent on America and like minded countries. The nearby rich states of the Gulf cannot help them through fear of Iranian displeasure, nor do they give them refuge as before. Iraq is fighting Iran directly and is in need of help itself, although during the days of the Shah Iraq gave aid to exiled Baluchis from Iranian Baluchistan and also gave military training to some 150 Baluchi

guerrillas in all, whose few activities they used as propaganda against the Shah. But now that they have for a long while been engaged in war with Iran such limited activities, those too on the other side of Iran, have no importance for them. Thus it is obvious that there is no profit for Iraq in taking care of the Baluchi opponents of Iran, so why should they give them help? Why should the other Arab countries earn the enmity of Iran by aiding the Baluchi rulers, and then too, is it beneficial or detrimental for the world of Islam to have the Baluchi Muslims fighting the rest of the Muslims in Iran? Thus the doors of help from the world of Islam are also closed to those Baluchi leaders. And why should America give those people aid directly when they are unable to conquer all of Iran? So those Baluchi leaders in Europe or America have to stand in the category of those other elements who are opposed to the present government of Iran, among whom are pro-Shah and anti-Shah elements but which of necessity have all become pro-Shah for the sake of a common platform.

There was no secret about the special relationship between the former Shah of Iran and the Jews and Israelis, so now the pro-shah elements will have to take help from them because Jews all over the world are extremely wealthy and Israel is also a developed, industrial and rich country in the Middle East which is very advanced in weapons manufacture and which can help them with arms and cash. These people do not want to turn towards the Soviet Union, because their previous ties have been with the West. Thus the Iranian Baluch rulers may inevitably become tools of the Jews. In the same way those Pakistani Baluchi chiefs who look towards America in the hope that they can get help for a "free Baluchistan" from them may also be caught in the snare of the Jews and Israelis, because the American agent for the people in this region who favor racial or linguistic politics rather than Islamic politics can only be the Jews of Europe and America and the state of Israel.

The Israeli Prime Minister Begin cannot tolerate any Islamic government on the face of the earth. That is why he is as much an enemy of the Iranian Islamic revolution as he is of Pakistan. After Israel destroyed the Iraqi atomic reactor it boasted that it would do the same to Pakistan, but after it settled the matter of southern Lebanon. Where the Israelis can use Indian agents against Pakistan it is possible they may also use some Pakistani Baluchi chiefs and their agents, and may use relatives and agents of the Iranian Baluchi leaders as well. The Iranian Baluchi leaders at this time are in great difficulty, and when all other doors are closed to them they too may become tools of the Israelis. Before such a situation is produced and the Jews gain a tool against Pakistan and Iran just because these people have no other way to stay alive, it would be better not only for Pakistan and Iran but for the Secretariat of the Islamic Conference as well to take notice of this problem and coolheadedly search for a solution to it so that we don't get in over our heads and so that a solution can be sought in the light of Islamic brotherly relations and fraternity. The solution at this time is very easy, but if it is not attended to in time, this apparently simple problem may produce great complexities for Iran and Pakistan, in fact for the whole Muslim world. During the Pahlavi reign too there were crises when the Baluchi rulers and the Iranian government were at odds, and when the Baluchi leaders were weakened by armed conflict they took refuge in the Baluchi and Gulf states protected by the British. This

writer has seen the files in the India Office Record and Library in London where the British government in India raised the question with the Iranian government whether it would guarantee the life, dignity and property of the Baluchi rulers so that they could again live in their homes in Iranian Baluchistan. And when at last the Iranian government gave this guarantee the Baluchi leaders went back and there was no action taken against them and peace and order remained in effect. Not only that, while they were taking refuge in the Makran, the British government of Baluchistan gave them a regular monthly stipend which was very reasonable and which according to their standards was sufficient for the expenditures of their entire family. When this was possible in that age, then today when there is an Islamic government in Iran, why couldn't it be the same? If Pakistan could initiate an arrangement in this regard with its brother country Iran, or if the Secretariat of the Islamic Conference could reconcile those Baluchi leaders and the government of Iran, it would be in the best interests of both Iran and Pakistan, and would also keep the enemies of Islam from having an opportunity to use this situation to further their evil designs.

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CSO: 4203/123

ZIA'S ONE-SIDED POLITICAL TALK CRITICIZED

Lahore VIEWPOINT in English 20 May 82 p 34

[From "Press Round-up" column: "One-Sided"]

[Text] The President has been expressing his views on the system of government, the style of politics, the conduct of politicians and the holding of elections with a fair amount of regularity. On the other hand, there is a ban on political activities and he has been asking the people that under the circumstances now prevailing, they should forget about elections, politicians and politics. The question is whether it is necessary that the President should, despite this ban, speak on politics day in and day out...? If political discussion is not in national interest, then it should stop at every level.

The President had said the other day that some of his statements had been in the nature of "feelers" so that he could gauge public reaction. It is obvious that reaction to political statements can only be political and this can be expressed through newspapers alone. But newspapers are banned from printing political statements. This can only lead to doubt and suspicion among the people which in no way will be in national interest. The President should not make himself a controversial figure. His ministers can do the job of eliciting public opinion but it is obvious that public reaction to the Government's political thinking will have to be reflected in newspapers.... If the President considers himself right, he should endeavour to convince the politicians that under the circumstances only that which he is doing is right. We are sure the President will agree with us that political statements whether they are one-sided or two-sided, cannot lead to an improvement in national affairs; only further deterioration will result. We are sure, too, that the President will realise that only by taking the people into confidence can we expect to fight the difficult situation that faces us today. NAWA-I-WAQT, May 16.

CSO: 4220/46

REFUGEE PROBLEM, OTHER MATTERS DISCUSSED

Lahore VIEWPOINT in English 20 May 82 p 15

[Text]

WINTER in Islamabad seems to be holding on tenaciously, being the apron strings of the West that we are. Village folk come and tell us of the havoc the persistent rains are causing to the crops. A friend who drove from the interior to Islamabad encountered hailstones large enough to be taken for ping pong balls. And yet there is no official estimate of the damage done.

We are going ahead merrily with our facts on the files. Trusting in God and America. Same was the state of affairs in Oudh during the closing years of the Nawabs: *Jis ko na dey Maula, us ko dey Asifuddaula* (Whomsoever God denies, Asifuddaula takes care of him).

It is true to some extent in the case of the Afghan refugees. We have taken good care of them and are spending millions of rupees per day on their subsistence. If not given a VIP treatment, at least they are being well looked after. Here we don't question who and what made them leave their hearths and homes, and why they are not returning to their own country. Some people will say it's the fear of the unknown.

A good omen

Anyway, now that the talks in Geneva are hardly less than a month away and (touch wood) nothing seems to be developing into a hurdle as happened in the way of Indo-Pakistan talks on the no-war pact, hopes are building up that the two sides will find a modus vivendi and the trek

back to Kabul will start. Some friends arriving from Peshawar say on authority that a number of Afghan refugee families have already moved out of the camps and have returned to Afghanistan and are sending messages to others. It's a good omen.

Coming back nearer home, the plight of the so-called Bihari faction of the Muslim nation is being highlighted here. They are living in sort of ghettos close to Pindi and elsewhere in far-flung areas in this former wing of their homeland and in over-crowded camps in Bangladesh, which is refusing to have them despite their tall talk of Islamic brotherhood. Twice uprooted these pitiable creatures owe allegiance to Pakistan. I am told some of them even keep the flag of Pakistan unfurled over their camps, but the mother (country) refuses to take them into its lap and would rather be burdened with those who had been claiming as their's parts of our land as their territory till yesterday.

All this is very confusing to the ordinary citizen.

Coming back to the state of the economy, we hear of mills closing down. Prices going up, exports dwindling. Unhappy news about lost remittances from overseas Pakistanis toiling in the sands of the Gulf which, in fact and in the long run, will create socio-economic problems of magnitude difficult to handle by the bureaucrats sitting behind plush desks in the air-conditioned rooms.

Why denationalise?

Now it is said that all public sector, nationalised, units will be de-nationalised — whatever it means. Now you hear that the public sector, managed by the Government, that is the nationalised sector, has made a dramatic comeback and the current year's rise would be about 13 per cent. Is that the reason that is prompting the government to give, and the private investor take, the nationalised units?

Our policies seem not to be dictated by national needs but by the donors. It has been said abroad that the receiving States must follow the advice given to them if they want loans. Unless they sell, the industrially-advanced countries cannot maintain their economic levels.

The visiting West German Secretary of Economic cooperation admitted that his country was facing the worst unemployment since World War II.

The apathy shown to the teachers' and doctors' demands for a fair deal is symptomatic of the entire bureaucratic attitude towards the people.

Oh, the prices

The prices of medicines seem to know no bounds. No prior announcements seem to be needed. One evening it is Rs. 3.90 per 100 tabs. The next morning it is Rs. 8.00. Do-whatever-you-can—My-foot, seems to be the attitude of the babus who fix prices or let the manufacturers do it. And where does all this profit go? It flows out.

The same with gas. And one shudders to think what the Doctor (Mahbubul Haq) and Ghulam Ishaq Khan have in mind: petrol, gas, power and house and road taxes, school fees and rail and air fares.

Prices of petrol rationalised: It will have no effect on essential goods. The common man would not suffer. Yes. True. Nor would the man who can up the price of his goods and services.

The country is going to be further burdened with loans. The consortium is meeting next month. Will give loans. The IMF team is here already to tell us what to do. Inflate and buy more to keep the employment levels in the North pegged from falling any further.

When the spinning coin finally settles down, one would know where we stand.

BRIEFS

MOTIVES FOR KHALIL'S MURDER--The General-Secretary of the defunct National Democratic Party, Farid Tufaan, has expressed surprise over a statement by the AIG Crimes in which he claimed that the murder of Arbab Sikander Khan Khalil was not politically motivated. Mr Farid said the AIG had admitted in his recent Press conference that investigations into the assassination were still not complete and that police had taken further remand of the accused. "It is surprising how a police officer can claim that the murder is the act of an individual and no group or party is involved before the completion of investigations and presentation of challans in court," Mr Farid added. Mr Farid alleged that the murderer belonged to a certain political party and had been getting every possible help from it. He said that the police had found Rs 2,00,000 and American dollars in the murderer's house and it was a matter which required serious attention. Meanwhile, the Central Secretary-General of the defunct NDP, Haji Ghulam Ahmed Bilour, demanded that the probe into the assassination of the former Governor should be entrusted to the High Court Chief Justice. [Text] [Lahore VIEWPOINT in English 20 May 82 p 16]

BUGTI HOPEFUL ON TALKS--The former Governor of Baluchistan, Nawab Muhammad Akbar Bughti, has welcomed the forthcoming negotiations among Afghanistan, Iran and Pakistan in Geneva under the aegis of the personal representative of the United Nations Secretary-General. He expressed the hope that these negotiations would lead toward a political solution of the Afghan problem. If these negotiations succeeded, Mr Akbar Bughti said, the whole region, especially Pakistan, would be greatly benefited because the present tense situation had made the whole region "insecure" and "unstable." [Text] [Lahore VIEWPOINT in English 20 May 82 p 16]

TEACHERS WANT CMIA'S INTERVENTION--Prof. Mahmood Ahmad Akhtar, President of the Punjab Professors Association and Coordination Secretary of the Joint Action Committee of professors, lecturers and school teachers, has appealed to the CMLA-President, General Muhammad Ziaul Haq, to intervene personally and give a sympathetic hearing to the teachers' demands. Prof. Akhtar, while addressing a Press conference here the other day, said that instead of resolving the genuine problems of the teachers, the Government had set up a commission which would submit its report by December 31. "Such commissions and committees have served no purpose in the past. They are constituted to put important issues in the cold storage," he added. Prof. Akhtar also deplored what he called the "negative tactics" of the bureaucracy in stopping payment of salaries to the teachers. He warned that such measures would not only hamper normalization but could also further deteriorate the situation. [Text] [Lahore VIEWPOINT in English 20 May 82 p 16]

HAQ MAKES SATISFACTORY PROGRESS--According to an official announcement in Rawalpindi, President Gen Mohammad Ziaul Haq has made very satisfactory progress and he has been relieved of renal colic. President Gen Mohammad Ziaul Haq was admitted to the combined military hospital of Rawalpindi for investigation and treatment of renal colic. The doctors attending the president have advised a few days' rest in the hospital. [Text] [BK121039 Karachi Domestic Service in English 1005 GMT 12 Jun 82]

CSO: 4203/142

LOW REVENUE PROMPTS 83 BUDGET CUTS

Manila PHILIPPINES DAILY EXPRESS in English 3 Jun 82 pp 1, 6

[Text]

PRIME MINISTER Cesar E. A. Virata said yesterday the Cabinet was preparing the proposed P63.5-billion national budget for 1983, which will top the agenda of the Batasan fifth regular session which opens July 26.

The proposed budget was reduced from an earlier estimate of P72 billion because of an expected drop in government revenues from taxes and customs duties, he said.

Virata said aside from the proposed national outlay, which is P5.43 billion more than this year's P57.07 billion budget, the Batasan will also take up other major legislation like the proposed local government code, code of crimes, the streamlining of the Professional Regulation Commission, and proposals to boost various industries.

He also disclosed the need to update the incentives system to attract investors, and put more importance on performance than importation of equipment.

BECAUSE of the current reorganization in government, Virata said, amendments to the Administrative Code may also be taken up by the Batasan to conform with administra-

tive and operational changes.

He said that the Cabinet is also studying a plan to adopt a uniform social security system for both the public and private sectors now handled by the Government Service Insurance System and Social Security System.

He explained that the scheme is to provide a basic uniform system for both GSIS and SSS members, without prejudice for either organization to increase the benefits for the members.

THE BUDGET cut was prompted by the expected fall in government revenues from taxes and customs duties.

The likely fall in these revenues was indicated by the slower growth in the collections of the customs and internal revenue bureaus brought about by the downturn in business activities abroad.

Records show that duties collected by the customs bureau for the first quarter of this year only posted an annual growth of 3.89 percent at P2.9 billion.

Revenue collections of the BIR only grew by 4.47 percent this year to P7 billion from P6.7 billion in the first quarter of 1981.

The slight increases in tax and duty collections this year, government insiders said, are not enough to cover the original budget proposal of P72 billion.

MARCOS REJECTS RULE BY POLITICAL DYNASTY

Manila PHILIPPINES DAILY EXPRESS in English 8 Jun 82 pp 1, 6

[Article by Miguel Genovea]

[Text]

PRESIDENT MARCOS said yesterday that he will not allow the establishment of a political dynasty in the country.

The President said this in his speech at the closing ceremonies of the Kabataang Barangay National Congress at the Maharlika Hall in Malacañang.

Speaking in English and Pilipino, the President said "mahirap 'yang mga dynasty."

The President commented on the dynasty issue when the KB members presented three resolutions, including a proposal for Imee Marcos, KB chairman, to be a member of the Cabinet Executive Committee.

THE PRESIDENT explained that if he appoints Imee to the Executive Committee, it could be misunderstood that he was trying to set up a "family dynasty."

While stressing that the Marcos political leadership will end with him, the President said that his political platform and plans for the country should continue.

Noting that the youth do not only want membership in the Cabinet and the Batasang Pambansa but also in the Executive Committee, the President said:

"I think what we should do is to allow the leaders of the KB to sit on rotation basis as observers in the Executive Committee."

The President said the Executive Committee is a training ground for future leaders and that since the youth represent 60 percent of the entire population, they should be trained as leaders.

* * *

BESIDES representation in the Executive Committee, the KB sought the amendment of the KB charter, urged the organization of regional youth centers and asked for an increase in the appropriations of the KB.

In his 70-minute speech, the President also called on KB members to reach out to "all misguided Filipino youth to support the government efforts to bring progress and prosperity to the people."

He said the KB is best suited for

this task because "you speak their language and know them best."

If the youth is to develop a new front as the KB has declared in its congress, the President said, the "KB must embrace every sector and every element of the country's youth — the students, the working youth, the out-of-school youth and the young professionals."

He also pledged to support KB and its undertakings.

* * *

CITING efforts to promote authentic political and economic freedom, the President said the Kilusang Kabuhayan at Kaunlaran (KKK) is a mass movement to attain true sovereignty by spreading the money in the hands of the few to as wide a sector of society as possible.

The President said that in trying to bridge the gap between the rich and the poor, the government policy is not to pull down the rich to the level of the poor but to bring up the poor to the level of the rich.

"This will lead to true emancipation, social, economic and political," the President said.

Earlier, the President was presented copies of the records and resolutions adopted by the KB during its five-day congress in Malolos, Bulacan.

The President also signed the appointments of youth representatives in the 148 sangguniang panlalawigan and panglungsod.

GNP GROWTH MISSES TARGET

Manila PHILIPPINES DAILY EXPRESS in English 5 Jun 82 pp 1, 6

[Text]

THE COUNTRY's gross national product (GNP) is expected to grow by 4.1 percent this year, a slight increase from last year's 3.8 percent.

The finance ministry, headed by Prime Minister Cesar E.A. Virata, said the figure is, however, way below the projected GNP growth rate of 5.1 percent.

The GNP is the sum of goods and services produced in a given year. It is a measure commonly used to assess the economic development of a country.

It said the 5.1-percent GNP target growth rate is not likely to be attained this year because of what it called the "spill-over effects" spawned by adverse economic factors over the past year.

ONE FACTOR, it said, was the Dewey Dee caper which seriously rocked the country's financial system.

Dee, a Chinese textile tycoon, fled after incurring about P600 million in debts among the financial institutions. The debts were mostly unsecured or without any collateral.

Another factor, according to the finance ministry, was poor agricultural production because of the series of typhoons that cut a swath of destruction across the country.

It said growth in manufacturing output, which increased by five percent in real terms in 1979, decelerated to 4.2 percent in 1980 and 3.4 percent in 1981.

Construction, which enjoyed a boom in 1979, grew only by 0.3 percent in 1980 and 9.7 percent in 1981.

"All these developments in 1981 are expected to have a spill-over effect in 1982, thus our original projection of a real growth rate in GNP of 5.1 percent in 1982 is now revised downward to 4.1 percent in real terms," the ministry said.

IT ADDED, consumer demand was also held down by low prices of agricultural exports, specially coconut products.***

REAL value added in commerce was estimated to have risen only by two percent in 1981, reflecting a substantial slowdown on wholesale and retail trade, according to the ministry.

Since 1980, the ministry said, the country's economy has been subjected to world recession that resulted in balance of payments deficit of \$486 million in 1981 and \$539 million in the first quarter of this year.

In 1981 exports declined by 1.1 percent from the 1980 level, while imports rose by 2.9 percent.

Merchandise exports, for example, totalled \$1,982 million in the first quarter this year compared to \$1,898 million during the same period last year.

"The deterioration in trade mainly explains the trade deficit and virtually accounts for the current account deficit in the balance of payments," the ministry said. (PNA)

CSO: 4220/62

FINANCE MINISTER CONFIDENT ABOUT RECESSION

Manila PHILIPPINES DAILY EXPRESS in English 4 Jun 82 p 6

[Text]

THE GOVERNMENT is confident that the country's economy can withstand the impact of the world recession, the Finance Ministry said yesterday.

In a report, the ministry said major policy changes have been instituted to restructure the national economy as part of the government's long-range development program.

On the financial sector, the ministry said, the government has stopped the proliferation of small and specialized financial institutions to promote savings and to increase the amount of longer-term loans, the ministry said.

* * *

THE MINISTRY said banks have been encouraged to merge and increase their capitalization to enable

them to expand financing activities and equity investments.

The Central Bank has already allowed five banks to engage in universal banking and three more have applied to operate as unibanks, it added.

In January last year, the ministry said, the government implemented an import liberalization scheme which called for the reduction of import duties over five years.

"The objective is to reduce the protective rate from an average of 42 percent to 29 percent by 1985," according to the Finance Ministry.

The ministry added: "By dismantling the high tariff walls, our industries are expected to be on competitive footing with industries abroad."

CSO: 4220/62

FEASIBILITY OF FOREIGN BORROWING CLAMPDOWN DOUBTED

Manila BULLETIN TODAY in English 4 Jun 82 p 25

[Text]

Doubts have been raised on the feasibility of the Central Bank clampdown on Philippine foreign borrowings for 1982.

The Central Bank had set a limit on foreign loans that the country may avail of this year, but the Private Development Corporation of the Philippines (PDCP) expressed the view that "the external debt outstanding may be difficult to contain within the desired ceiling of \$18.2 billion."

The \$2.4 billion limit was set by the Monetary Board this year when the country's total international debts reached a staggering \$15.8 billion last December.

PDCP's observation, found in its annual report, is based on its assessment of prevailing economic conditions which indicate that the recovery of the

Philippine economy may yet be delayed by "another semester."

No less than CB Governor Jaime C. Laya had admitted that this year's ceiling on foreign borrowings is too low for local companies.

Private corporations are supposed to get \$1.4 billion of the total foreign loans this year, but Laya said the amount would not meet the demand.

This means that corporations wishing to avail of low interest rates and liberal repayment terms would have to settle for stiffer domestic credits instead.

However, PDCP sees a stiffer competition between the private sector and the government in the availment of local funds as the latter engages in larger deficit spending to expand liquidity and prime the economy.

WORLD BANK LOAN OKAYED

Manila BULLETIN TODAY in English 6 Jun 82 p 18

[Text]

Private development banks in the Philippines will receive World Bank funds for the first time for investing in small and medium-scale industries.

The World Bank approved the other day a \$132-million loan to the Philippines for the purpose.

Under the scheme, private development banks, which supply credit mainly to small and medium-scale industries, will have access to part of the loan for on-lending to SMSIs.

The industrial guarantee loan fund, established by the government and administered by the Central Bank, will receive bulk

of the loan, amounting to \$63 million.

The next largest share, \$48 million, will go to the development Bank of the Philippines which will use \$27 million for its share for lending directly to SMSIs while the private development banks will be allocated \$21 million.

Some \$7.0 million will go to the Ministry of Trade and Industry as budgetary allocation to finance technical assistance services.

Proceeds of the WB loan are expected to support about P2.1 billion investments and create some 33,000 jobs in the private manufacturing sector.

The technical assistance to be provided

under this project, the third from the WB for the development of SMSIs in the Philippines, will help alleviate the key constraints and guide the structural changes necessary to upgrade the quality of output of these industries.

It will be channelled through the bureau of small and medium industries of MTI.

The entire WB loan is for 20 years, including a five-year grace period, and carries an interest rate of 11.6 per cent per annum. It also carries a commitment charge of 0.75 per cent on undisbursed balances, and includes a front-end fee of 1.5 per cent on the entire amount of the loan.

INTERNATIONAL BANK LOAN FOR PHILIPPINES

Manila PHILIPPINES DAILY EXPRESS in English 5 Jun 82 p 9

[Text]

A SYNDICATE of 20 international banks, including three locally-based financing institutions, will sign today a \$75-million loan for the Development Bank of the Phils. (DBP).

The loan, which is unconditionally guaranteed by the government, will be used by the DBP to finance high priority agricultural and industrial projects.

The DBP said the loan has a maturity of 10 years with four years grace period, at 3/4 percent per year over three to six months LIBOR (London Inter Bank Offered Rate) for the first five years and 7/8 percent per year from the 6th to 10th year.

This is the first large syndication to be contracted by the DBP in the last three years.

* * *

PRIME Minister Cesar E.A. Virata will sign the guarantee for the government while DBP vice chairman, Don M. Ferry, will sign for DBP. The syndicate of banks will be represented by officials of Citicorp International Group, Lloyds Bank

International Ltd. and The Long Term Credit Bank of Japan Ltd. as lead managers.

Appointed manager of the loan is Taiyo Kobe Finance Hongkong Ltd. with American Express Bank International Group, Bank of Baroda, The Bank of New York, PCI Capital Asia Ltd., Takugin International (Asia) Ltd. and Union Bank as co-managers.

The syndicate includes Citibank N.A., Lloyds Bank International Ltd., LTCB Asia Ltd., Taiyo Kobe Finance Hongkong Ltd., American Express International Banking Corp., Bank of Baroda, London, The Bank of New York, PCI Capital Asia Ltd., Takugin International (Asia) Ltd., Union Bank, The Long Term Credit Bank of Japan Ltd., Banco Urquijo, Metropolitan Bank and Trust Company, Altajir Bank, Equitable Finance Company (Hongkong) Ltd., The Hachijuni Bank Ltd., The Mitsubishi Trust and Banking Corp., Nippon Credit International (HK) Ltd., Nomura International (Hongkong) Ltd., and Yamaichi International (Nederland) N.V. — GTN

LOAN SOUGHT FROM CREDITORS

Manila BULLETIN TODAY in English 6 Jun 82 p 18

[Text]

The government will try to muster financing support for its new five-year economic development plan and the five-energy plan when it meets the consultative group of creditor countries in Tokyo by the latter part of this month.

Prime Minister Cesar Virata heads the Philippine delegation that will seek a continuing commitment from the consultative group of countries for the Philippines to provide financing assistance to her development efforts.

Virata said Friday that the Philippines will seek official development assistance to the tune of \$1.0 billion to \$1.2 billion in 1982, about the same amount that the country got from the group last year.

He said that the delegation will give detailed presentation during the meeting about the 1983-1987 economic development program, with a special presentation on

the energy sector program.

The consultative group is a formal grouping of creditor countries of the Philippines organized under the auspices of the World Bank and the International Monetary Fund.

It meets once a year to review the economic performance and problems of the Philippines and sets a new annual target on the amount of financing assistance that the country needs and they can provide to keep the momentum of development going.

Virata said that the \$1.0 billion to \$1.2 billion in official development aid that the government will seek from the Tokyo consultative group meeting will be part of the \$2.4 billion ceiling on foreign borrowing set earlier this year by the monetary board.

The monetary board adopted the loan ceiling in 1982 to see to it that debt service ratio is kept within the statutory ceiling of 20 per cent of the foreign

exchange earnings the preceding year.

He said that the country faces a far more difficult problem this year in her external accounts because of the slowdown in exports brought about by the delayed economic recovery in the industrialized countries.

As a result of weak demand, Virata said, prices of copper, sugar, coconut oil and even mineral products, were much lower now than they were a year ago, adding more pressure to the balance of payments problem.

Virata did not give a forecast as to how much the balance of payments deficit would be for the whole year, saying that "everything depends on the behavior of the world economy" during the year. As of the end of the first quarter, the BOP deficit already reached \$539 million.

He said that any BOP deficit in 1982 will be covered with foreign borrowings and the reserves.

ENERGY PROBLEM CHANGES

Manila BULLETIN TODAY in English 7 Jun 82 p 27

[Text]

The Philippine energy situation has changed from a "problem of supply and runaway international prices to one of eroding foreign exchange," Energy Minister Geronimo Velasco said.

Explaining why petroleum product prices in the Philippines have failed to come down in spite of the oil glut and reduced spot market prices, Velasco pointed to the decline in the value of the peso from P7.60 to a dollar in 1981 to about P8.50 at present.

At the same time the Philippines is tied up with long-term government-to-government contracts on official government prices. Velasco explained that the country did not want to depend on a volatile spot market

although spot market prices have recently exhibited lower price figures.

Saudi Arabian crude, which constitutes over 50 per cent of Philippine oil imports, experienced upward adjustments in prices although other crude prices moved downward, it was noted.

Velasco said that if not for government subsidies to the oil industry, gasoline prices here would have increased further.

The Ministry of Energy is seeking cabinet approval for a seven-point program to increase incentives for oil corporations to invest in deep-water oil exploration in the Philippines in the face of a slowdown in exploration

activities here.

Energy Minister Geronimo Velasco pointed out that an enhanced incentive package was necessary to compete with growing interest in the offshore areas of nearby China. Philippine oil potential also appears to be in deep-water areas, which are more risky and expensive, he added.

Velasco noted a general slowdown in exploration activities here as a result of the oil glut and the worldwide economic recession. But he said that 13 oil discoveries in the past eight years have resulted in the development of three commercially producing oil fields.

He did not reveal the details of the proposed

incentive package aimed at wooing more exploration companies to the country.

Velasco announced plans of a consortium of Canadian companies which, jointly with the Philippine National Oil company (PNOC), will undertake exploration activities under the auspices of Petro Canada.

The energy minister reported "modest successes" in oil exploration since the government adopted a service contract system to attract foreign investors.

He said there have been 13 oil discoveries in offshore southwestern Philippines and two subcommercial gas finds in northern Luzon island.

FORCED RESIGNATION OF SUPREME COURT JUSTICES

Kuala Lumpur BUSINESS TIMES in English 15 May 82 p 10

[Article by Jeremy Toye in Manila]

[Excerpts]

PRESIDENT Ferdinand Marcos, in one of the toughest public decisions of his 17 years in office, has purged the Philippine Supreme Court over a seemingly minor scandal which flared into a national issue.

After four days of intense consultations, he declared on Monday that he had decided to accept the resignations of all 14 members of the court, including Chief Justice Enrique Fernando.

The 66-year-old Chief Justice and at least four of his colleagues had been implicated in the widely-publicised case of an examination paper which was prematurely reviewed and the marks awarded increased.

The fact that the examination paper belonged to Gustavo Erieta, whose father Vicente had been appointed to the Supreme Court only last November, gave the case its spice. So too did its revelation by the only woman member of the tribunal, Justice Ameurflina Melencio-Herrera.

The Manila Press, which normally adopts a largely hands-off attitude towards such establishment bastions as the Supreme Court, threw itself into the case with vigour.

Extra marks

It established that the examiner had awarded

two additional points for a one-word answer, a simple "no", to a question on maritime law which she had originally overlooked.

The extra marks led to a small increase in his grade. But he would have passed anyway under the pass-mark level fixed by the adjudicators.

Mr Gustavo has not been allowed to take his oath to the Bar but the ramifications have gone far beyond his career.

Evidence in the form of a handwritten note from the Chief Justice effectively authorising the review and the apparent involvement of other justices in pushing it through already took the case beyond the examination room.

But a decision by the court's members to try to weather the growing criticism and investigate its own conduct broadened the issue further.

The president, himself a trained lawyer who in his day topped the socially — as well as professionally — important Bar exams, tried for a time to stay aloof, declaring that the matter was too sensitive for comment.

But he was clearly the only man who could deal with the case as he alone has the right to appoint Supreme Court justices and accept their resignations.

The president, a classmate of several members of the bench, called them in for talks and consulted as many of their predecessors as he could find.

He met them during the weekend but newspaper editorials emphasised the difficulty of the decision to be made by Mr Marcos, who has a reputation of being reluctant to remove anyone from a job.

His decision to accept the mass resignation was contained in a letter to the Chief Justice. A Presidential Palace statement observed that "the bar examination incident has cast a cloud of doubt over the integrity of the Supreme Court."

It said that in order to terminate the present court, Mr Marcos was accepting all 14 resignations, not just those of the undisclosed number who were recommended for removal.

But he said he intended to appoint a new bench as soon as possible, "including the members of the present Supreme Court whose terms of office are not recommended for termination."

Chief Justice Fernando, who penned many of the controversial decisions on constitutional issues which occurred during the eight years of martial law rule lifted in January last year, looked

unlikely to be reappointed.

Justice Minister Ricardo Puno, 59, is being suggested by lawyers and diplomats as his likely successor. But decisions on other members of the court might be more difficult.

Judge Claudio Teehankee was next in line to the Chief Justice in terms of superiority and played some role in revealing the scandal.

New bench

But he is also known as a critic of some of the president's actions, occasionally casting a lone negative vote. One or two of his fellow judges are also regarded as less inclined to go along with the president than the Chief Justice.

The president's emphasis on the constitutionality and legality of his actions, notwithstanding criticism that he has altered the constitution and the laws when it suited him, make the Supreme Court a vital body. He called it "the final repository of the law."

Thus, he needs justices not only on whom he can rely but who also have the judicial experience to carry weight with other members of an extraordinarily inflated and sometimes vocal profession. — **Reuter**

OPPOSITION LEADER WARNS OF TROUBLE AHEAD

Kuala Lumpur BUSINESS TIMES in English 27 May 82 p 19

[Article by Fernando del Mundo in Manila]

[Excerpts]

OPPOSITION Assemblyman Salvador H. Laurel does not think of the next President after Ferdinand E. Marcos has to be a United States protégé.

"I do not believe that anyone who emerges as the leader of this country should be an 'American boy,' the 51-year-old Laurel said. It is enough that the Americans do not meddle in the internal affairs of this country.

Mr Laurel, a former Senator and presidential aspirant spoke in an interview in his book-lined law office after his election as leader of the newly formed 12-party coalition United Nationalist Democratic Organisation (Unido).

"We cannot discount the fact that the US bases are here, that the Americans concede the their presence is non-negotiable, that they have US\$12.5 billion worth of investment in this country and that, therefore, they are concerned with the stability of this country, Mr Laurel said.

"The best way to ensure stability in this country is to give the people a chance to elect their leaders freely in a clean election," he said. "But where the Reagan Administration is proping up a regime that denies the people that kind of an election —

honest clean and orderly — they do not realise that they are endangering their bases.

The US maintains the Subic bay naval base, a sprawling 7th fleet repair and logistics centre, and the Clark air base, none of the 13th Air Force, in the Philippines, once America's only colonial possession outside the Western hemisphere.

The bases are the last major US installations in South-East Asia.

Mr Laurel said it is to the interest of the US to now distance itself from Mr Marcos. "I warned them that unless they move quickly they will be late again, as they were late in Iran, in Vietnam, in Nicaragua," he said.

Instability

Mr Laurel said the country's most serious problem is the stability of the government that will succeed Mr Marcos pointing out that he has no vice president.

"The problem that has been noticed now is that money has not only stopped coming in, there is a flight of capital from the Philippines. Why? Because of instability, after Mr Marcos what?

There were these following items in Manila as Mr Laurel spoke:

■ The pro-government media in recent weeks showed the 64-year-old Marcos jogging and playing golf. Although Mr Marcos appeared in the pink of health, speculation has persisted despite official denials, that he suffers from a serious kidney ailment.

■ Prime Minister Cesar Virata has been visiting far-flung areas, increasingly taking on tasks once only the President did. Mr Virata is head of an executive committee that will head the country in the event the President dies.

■ Before leaving on a five-day visit to Saudi Arabia last month, Mr Marcos issued orders to military chief Gen. Fabia Ver on "appointments and removals" in the Executive Committee, triggering speculation a military junta would succeed Mr Marcos.

■ For the first time in its anti-insurgency campaign, military authorities have arrested ranking communist leaders and Muslim separatist rebels in Manila. Recent arrests included Horacio (Boy) Morales, former executive director of the Development Academy of the Philippines, a government-sponsored think tank, and Roman Catholic priest Edicio de la Torre.

Unido used to be the United Democratic opposition an umbrella group for seven opposition parties. Mr Laurel said the coalition then had a collective leadership and could not move fast enough. "We were becoming a debating club and so we decided on a single leadership."

He said Unido will organise "pressure groups" and launch civil disobedience campaigns in the form of strikes and non-payment of taxes to force Mr Marcos to call new voting.

"We feel that a real election is the only antidote to a bloody revolution," Mr Laurel said. "All the elections after martial law have been rigged, pre-tallied and nobody believes in them so much so that people, the young ones, have gone to the hills. We have lost 25 per cent of our young leaders to the communists.

"There is a process of radicalisation now taking place, not only with the moderate opposition but in the entire population because Mr Marcos has limited the choice of the people between dictatorship or the communists.

"We in the moderate group are saying we are going to provide the people with a third choice, constitutional democracy through the ballot. We want to avoid the bullet." — Reuter

JEEPNEY DRIVER STRIKE AIMED AT GOVERNMENT

Manila PHILIPPINES DAILY EXPRESS in English 3 Jun 82 pp 1, 6

[Text]

MAJ. GEN. PROSPERO OLIVAS, PC Metrocom chief, said yesterday the leaders of a planned strike by jeepney drivers have links to groups which are out to destabilize the government.

"Why should they strike?" he asked. "The issues on which they want to strike are mere proposals, which are yet to be approved."

General Olivas said that if, as they say, the strike planners have only the public welfare in mind, they should not resort to action which will inconvenience the public.

A new issue cropped up on the projected strike: the fear of jeepney drivers that they will be phased out when the Light Rail Transit starts operating and the bus fleet is expanded. Olivas said this should not be an issue, since the LRT will run only from Caloocan and Baclaran and will not affect jeepney routes.

THE LEADERS of the Pagkakaisa ng mga Tsiper at Operators Nationwide (PISTON) said they are being harassed. A PISTON official said he has heard of threats of arrest orders. Two of their leaders received summonses days ago for traffic violations the two committed in

Cubao last year.

SOME 100 leaders of various jeepney drivers in Metro Manila and Cavite met yesterday with the Metro Manila Commission and said they will not join any strike. They said 90 units can be fielded to replace jeepneys grounded by any strike. The leader of a large fleet covering 80 percent of the 90 major and secondary routes in Metro Manila said he and his members can mobilize 5,000 more units if the strike is called.

ATTY. ANTONIO Bicenio, deputy director of the MMC Traffic Operations Center, again warned that his office will revoke the franchises and cancel the licenses of jeepney drivers who join the strike.

The strike is planned, according to **PISTON**, on at least 10 major routes in Metro Manila this week.

The Lady Drivers Association of the Philippines lauded the MMC for its proposal to increase the traffic violation fines. The group, with a membership of around 200, said the step will help decongest traffic. — VP

INACTIVE GOVERNMENT FIRMS SCRAPPED

Manila PHILIPPINES DAILY EXPRESS in English 3 Jun 82 pp 1, 6

[Text]

PRESIDENT MARCOS yesterday directed the Land Bank of the Philippines to absorb the Agricultural Credit Administration as part of an ongoing revamp of government-owned or controlled corporations.

He also authorized the merger of the Philippine Export and Foreign Loan Guaranty Corp. with the Export Credit Corp. and the Music Foundation of the Philippines with the Cultural Center of the Philippines.

The mergers and the abolition of 10 other entities were recommended by the Special Presidential Reorganization Committee.

Those abolished were either inactive or unproductive. They included the Catanduanes Development Authority, Ilocos Sur Development Authority, Mindoro

Development Board, Southern Samar Development Authority, Panay Development Authority, Sulu Development Authority, Bicol Development Co., Coconut Investment Co. and the Philippine Iron and Steel Authority.

Converted into regular government agencies were the Lungsod ng Kabataan and the Philippine Convention Bureau.

Lungsod operates a hospital for children in Quezon City, while the PCB, which promotes Manila as a convention site, oversees the conventions business.

The conversion of the PCB into a regular agency under the Ministry of Tourism would enable the government to closely monitor its expenses which reportedly run into several million dollars annually.

The Reorganization committee said the firms abolished had become increasingly more expensive to operate in terms of salary disbursements than regular government agencies.

Aside from this, the committee said some of the government corporations incurred losses in 1980. They include the Manila Transit Corp. (P23.2 million); Philippine National Railways (P23.4 million); the BLISS Marketing Corporation (P7 million) and the Food Terminal Inc. (P30 million).

CSO: 4220/55

MORE RURAL BANKS GO BANKRUPT

Manila PHILIPPINES DAILY EXPRESS in English 3 Jun 82 pp 10, 9

[Article by G. T. Nervez]

[Text]

AN increasing number of rural banks will have to be closed because of insolvency and mismanagement, according to a top official of the Central Bank.

Mrs. Carlota P. Valenzuela, CB deputy governor, supervision and examination sector recently told a conference of rural bankers that an increasing number of rural banks have been disqualified from the rediscount window and from the use of special finance funds.

The CB official added that insolvency or mismanagement of the rural banks were caused by errors in judgment or deliberate action to channel funds to bank officers or owners.

Latest available figures show that there are

1,040 rural banks licensed by the CB. However, only 971 are operating while 67 are non-operational.

Non-operating banks include 19 that are under receivership, 45 facing liquidation, and three under voluntary dissolution. Two rural banks have been converted into private development banks.

MRS. Valenzuela noted that rural banks face greater risk exposure and relatively lower returns on investment in the implementation of several priority government-sponsored special financing programs.

Moreover, the cost of rural bank operation

has gone up because of increases in salaries and allowances, as well as other operating expenses, including the increase in interest costs arising from the lifting of interest ceilings on savings and time deposits.

She pointed out that the freezing of the lending rate on short-term loans and the recent increase in

the rediscount rate from one percent to three percent per year have reduced bank spread on loans under the special financing programs of the government.

Mrs. Valenzuela added that the problems of the rural banks have also been blamed on the fact that the size of the individual banks is not

big enough to be competitive and efficient.

Furthermore, there is much to be said about improving the management of rural banks, she said.

THE CB official noted that rural banks have been given a transition period within which to improve their financial conditions.

LABOR EXPORT PLAN SPURRED

Manila BULLETIN TODAY in English 3 Jun 82 p 14

[Text]

BAGUIO, June 2 (PNA)—Economic Planning Minister Placido Mapa, concurrently director general of the National Economic and Development authority, said that for the next five years starting 1983, manpower recruitment will be selectively intensified to ensure the continued availability of the talents and skills needed by the domestic labor market.

It is projected that a total of 416,000 workers will be accommodated in the overseas labor market by 1983 and about one million in 1987.

"Responsive and realigned education programs are also called for by these developments to ensure a steady supply of skills," he said.

Mapa said that the

country's employment program is currently one of the major policies under scrutiny by the social development committee because of its short and long-run implications on the other sectors of the economy.

Other growth objectives of the 1983-87 Philippine development plan, as enumerated by Mapa are:

—Increased self-sufficiency in food and to a reasonable extent, industrial raw materials.

—Self-sufficiency will be sustained in rice, fish, poultry, pork, fruits and vegetables. It will promote corn, legumes and other highly nutritious food.

—Reduced dependency on imported oil down to 50 per cent of the country's total

consumption by 1987 through an accelerated energy development program, which included coal, hydroelectric, indigenous oil and traditional sources such as nuclear, geothermal, dendro-thermal and coco-diesel.

—The rate of population growth from 1983 to 1987 is expected to decline to about 2.2 per cent annually due in part to changes in life styles, arising from industrialization and urbanization, and the reduction in infant and child mortality which has a high correlation with fertility rates.

Mapa said continuing improvement in education, particularly in the elementary and non-formal levels is provided for in the country's new development plan (1983-87).

CENTRAL COMMAND INTENSIFIES CIVIC ACTION

Manila BULLETIN TODAY in English 5 Jun 82 p 23

[Article by T. Pe. Rimando]

[Text]

COTABATO CITY
The Central Mindanao command (CEMCOM) has intensified

its civic action program to help bring the military closer to the rural inhabitants and ultimately defuse the mass base of subversive elements in the region.

Brig. Gen. Jose P. Magno, Jr. reported recently to Gen. Fabian Ver, Armed Forces Chief of Staff, that during the past three months, Cemcom treated at least 7,520 medical and dental patients in far-flung communities of Agusan,

Maguindanao, Davao del Norte, North Cotabato, and South Cotabato.

Magno reported through Maj. Oscar Recentes, Cemcom civil affairs chief, that the command's civic program was actively participated in by the Ministry of Health, National Food Authority, and Philippine National Red Cross.

At the same time, Magno said, Cemcom strengthened the region's military-civilian relationship with regular dialogues conducted with barangay, municipal and provincial officials.

Magno said the dialogues often centered on major problems in the locality particular-

ly those affecting local residents' socio-economic condition.

The dialogues, he said, brought about improved cooperation between military and civilian sectors which eventually led to peace and order stability in many areas of the southern Philippines.

Magno added that Cemcom also continues to wage massive information campaigns about government programs and projects in the rural areas.

"If our barangay residents are well informed of what the government is doing for them, their faith and confidence in the government and their leaders are strengthened," Magno said.

CHEAP, ABUNDANT POWER DUE SOON

Manila BULLETIN TODAY in English 7 Jun 82 p 22

[Article by R.O. Ensoy]

[Text] The people of Leyte and Samar will soon enjoy cheap and abundant electricity with the full utilization of the geothermal power in barangay Tongonan, Kananga, Leyte. The Tongonan geothermal power plant is currently generating only three megawatts with its lone experimental well but, according to General Manager Evelito A. Elento of the Leyte II Electric Cooperative (LEYECO II), the geothermal power plant is expected to activate a total of three wells by March of next year; each well generating 37.5 megawatts, or a total of 112.5 megawatts, excluding the experimental well. The present maximum consumption in the region is estimated to be less than 20 megawatts.

Residents of Metro Manila will by December, with the activation of the first fully operational well at the Tongonan geothermal power plant, the 32-megawatt power barge in Isabel, Leyte, now serving all power con-

sumers in Leyte province, might be transferred to Metro Manila. This was learned from Rene V. Amano, manager of the office services department of LEYECO II in an interview with this correspondent on the occasion of the fourth annual general membership meeting of LEYECO II.

Meanwhile, with the power barge, Leyte power consumers have been enjoying a ₱.50 per-kilowatt-hour discount — from ₱1.68/kwh to ₱1.18/kwh — since April 12 of this year, or only two days after the power barge started serving them. The rate is expected to be further lowered with the utilization of the Tongonan geothermal power.

By April, residents of all but six Pacific towns in Southern Leyte were already enjoying electricity generated by the power barge with the completion of the 69 KV Tolo-sa-Mahaplag-Maasin transmission line. The six Pacific towns, along

with all the towns served by the Samar II Electric Cooperative (SAMELCO II) of Samar Province, are expected to be served by the power barge on July 2, the birthday of the First Lady, as her gift to the people in the area. Preparations are being made to install a 69 KV substation to connect SAMELCO II to the power barge. Special cables are also being procured to transmit the power across the San Juanico Strait under the San Juanico bridge.

Work is also underway to tap the geothermal power in Caibiran, Leyte, which is reportedly potentially greater than the Tongonan, geothermal power plant. Since the present maximum estimated power consumption in the whole region is only minimal, engineers are now studying ways and means to transmit all the overly excess power to Luzon through the San Bernardino Strait.

SEMI CONDUCTORS EMERGE AS LARGE EARNER

Manila BULLETIN TODAY in English 7 Jun 82 p 26

[Text]

Semi-conductor devices were the largest foreign exchange earner among the country's exports last year.

The top non-traditional export moved up from fourth to first position on account of the 27.4 per cent increase in value from \$499.5 million in 1980 to \$636.2 million in 1981, accounting for 11.1 per cent of the total exports last year.

The dramatic rise in earnings from semi-conductor devices was largely attributed to the boom in demand in the United States and Japan which absorbed the bulk of Philippine shipments.

Sugar, which for years was the country's top dollar grosser,

dropped to second in the Central Bank list of ten principal exports as earnings from this commodity dropped by 11.4 per cent from \$624 million in 1980 to \$553.1 million last year.

The drop in earnings from sugar was incurred despite higher sugar prices on account of the cutback in volume shipments with the reimposition of the Philippine quota in May 1981.

The Philippines was allotted a total of 1,436 million metric tons but low domestic production during the last quarter of the year accounted for a decline in shipments.

The Philippines failed to meet the

quota and shipped only 1,193 metric tons.

Earnings from coconut oil also declined due to low prices in the world market. But coconut oil maintained its third position with earnings of \$536.2 million, 9.4 per cent of total export receipts.

Copper earnings, affected largely by soft prices and weak markets due to the recessionary conditions in the industrial world, also dropped from \$545 million in 1980 to \$426.5 million in 1981 reflecting the general downtrend in Philippine export receipts.

Apart from semi-conductor devices, the only other export product that recorded an increase in earnings was banana, another

non-traditional export.

Earnings from bananas, the sixth principal export, improved, from \$114.2 million in 1980 to \$124.8 million in 1981.

The rest of the principal exports showed lower earnings: gold, from \$239.2 million to \$211.1 million; lumber, from \$181.3 million to \$128.3 million; iron ore conglomerates, from \$118.2 million to \$116.1 million; plywood, from \$137.9 million to \$104.5 million and dessicated coconut, from \$116 million to \$100 million.

The ten principal exports comprised 51.4 per cent or \$2,937.3 million of total export receipts.

TIN CAN VENTURE OPPOSED

Manila PHILIPPINES DAILY EXPRESS in English 4 Jun 82 pp 10, 9

[Article by Ray Magallanes]

[Text]

LOCAL tin can-makers questioned yesterday the decision of the Board of Investments (BOI) giving the go-signal for the United Coconut Planters Bank (UCPB) and the American Can Co. (Amcan) of the United States to set up a P400-million tin can manufacturing plant.

The joint venture to be known as the United Philippine Can Co. (UPCC) was approved by the BOI at a board meeting held last May 20, and came as a shock to the local manufacturers who have been strongly opposing it.

They said they were surprised by the speed in which the proposed project breezed through BOI. They claimed BOI favorably endorsed the joint venture in a record time of less than a month.

APPROVAL of the project would now entitle UPCC to enjoy the incentives spelled out by the 1982 Investment Priorities Plan, and would likewise pose stiff competition as soon as its plant starts grinding.

The two business partners have agreed to pump in an initial P130 million operating fund, P799 million or 60 percent of the capital structure coming from UPCC and P40 million

or 40 percent from Amcan.

Local tin can-makers argued that the entry of the UPCC into an already overcrowded industry comes at a time when they are on their third year of massive modernization and expansion programs.

They said BOI was unfair in approving the joint venture of UCPB and Amcan because it can avail itself of many government incentives which were never granted to Filipino can makers since they started operating.

THIS would mean serious dislocation to over 100,000 workers if some tin can makers are forced to fold up because of competition. On the other hand, they said it would only take 800 skilled personnel to man Amcan's highly-modernized plant.

They said local tin can makers can cope up with the demands for lead-free good-grade cans of both domestic and foreign markets.

They also maintained that their can-making technology to produce three-piece welded cans is cheaper and more suited to the needs of the Filipinos as against UPCC's two-piece drawn and redrawn cans which would cost more to manufacture.

MNLF COMMANDERS, FOLLOWERS YIELD

Manila PHILIPPINES DAILY EXPRESS in English 4 Jun 82 p 2

[Text]

ZAMBOANGA CITY - Six commanders of the Moro National Liberation Front and their 101 followers surrendered Wednesday to Lt. Gen. Fidel Ramos, AFP vice chief of staff and concurrent PC chief.

The surrender ceremony was held at the headquarters of the ninth PC-INP regional command under Brig. Gen. Cirilo Bueno Jr. in this city.

The commanders were identified as Amirul Jai, Adaman Idjirani, Jadjinuddin Sabaddin, Sali Dumah, Adjarun Gadjal and Mohammad Amin.

Dumah, Gadjal and Amin said they trained abroad.

The group was operating in Mt. Budlumping in Luuk, Sulu.

THE SURRENDER was negotiated by Ben Abdul, a World War II veteran and father of two of the surrenderers.

They requested that they be assisted in securing loans under the Kilusang Kabuhayan sa Kaunlaran to start them off with a viable means of livelihood.

The group also asked that they be allowed to form a military group to protect their own community.

They turned over firearms of various calibers and hundreds of rounds of ammunition. (PNA)

TERRORISM REPORTED IN NEGROS

Manila PHILIPPINES DAILY EXPRESS in English 4 Jun 82 p 3

[Text]

TERROR-GRIPPED Calatrava town in Negros Occidental was rocked anew by violence when four armed men fatally shot Saturday a 25-year-old youth in barangay Cabungahan.

Danilo G. Cogonan was walking home when four men, armed with .45 caliber pistols, gunned him down.

Police investigators recovered three empty shells and a .45 caliber gun.

Cogonan was the 22nd victim of armed killers in Calatrava, police said.

THE NATIONAL Bureau of Investigation, police and constabulary teams have dug up and

exhumed the remains of 10 slay victims during the first retrieval operation which ended May 13.

NBI Director Jolly Bugarin has dispatched medico-legal and investigating teams to Calatrava, 133 kilometers northeast of Bacolod, to recover the remains of 11 more persons whose graves have been pinpointed by Calatrava policemen with the help of relatives and friends of the victims.

IN CEBU City, PC patrols have been sent to the mountain fastnesses of Cebu to hunt several terrorist groups responsible for the killing of 10 barangay residents in two Western Cebu towns.

Col. Alejandro Mendoza, Cebu PC

commander, said the bodies of three of the victims have been exhumed. Two of the bodies were identified as those of Jose Capangpangan, 36, a farmer of Asturias town, and Simeon Montero, 60, another farmer of Cantuod, Balamban town. A third could not be identified.

Other victims were identified as Maximo Corales, Landrino Reuyan, Alexandro Tribonale, Sergio Narciso, Democrito Matugas, Pacencio Laguna and a certain Tuting.

THE ARMED groups are reportedly led by commander Regino Laurente, commander Danny alias "Jesus Ramos", Commander Peri, Mahusay, Carlito Sandag and Commander David.

While reports had it that the groups are members of the New People's Army, Mendoza said, government intelligence has established that they are actually bandits.

Their activities were first brought to the attention of authorities late last year.

GOVERNMENT operations led to the arrest of at least 18 of their suspected leaders, some of whom are now charged with illegal possession of firearms.

Some of the terrorist leaders were believed to have come from Bukidnon in Mindanao and other nearby provinces who moved to the Cebu mountains, Mendoza said.

OIL DRILLING OFFER MADE BY CANADIANS

Manila PHILIPPINES DAILY EXPRESS in English 4 Jun 82 pp 10, 9

[Article by Rosario A. Liquicia]

[Text]

A CONSORTIUM of Canadian oil exploration companies, led by Petro Canada International, is eyeing oil exploration activities in the Philippines jointly with the state-owned Philippine National Oil Co. (PNOC), Energy Minister Geronimo Z. Velasco said yesterday.

Velasco, who is also chairman and president of PNOC, said Petro Canada will also extend technical assistance to local exploration engineers.

The Canadian oil exploration firm is government-owned, thus any transaction with the Philippines will be coursed through the state-run PNOC.

Velasco said that the Canadian project is part of that country's \$500-million assistance program for developing countries, like the Philippines. The program aims to review potential oil areas in a country "that has been left behind" by the major oil exploration companies.

The energy official said the Canadian package is still being discussed and is expected to be firmed up by October. He gave no other details.

VELASCO, who has just returned from the US and Canada where he had discussions with oil company executives, said the response to the country's progress in both oil and geothermal exploration as well as to the new incentives has been "encouraging."

"I received inquiries from at least 20 major oil company executives on the local situation for both oil exploration and geothermal development," Velasco pointed out.

The minister last month unveiled a seven-point incentives package for foreign oil explorers before the "offshore technology conference" in Houston. New incentives, which are now being reviewed by the Cabinet, are intended to lure more foreign oil firms to do exploration activities here.

Velasco also announced that the energy ministry will embark this year on a nationwide aeromagnetic and offshore seismic survey to augment the exploration data already available.

With World Bank funding, the study will focus on onshore basins and part of the offshore areas where no updated geophysical information is now available.

MORE FARMERS TURNING TO OIL SHARKS

Manila PHILIPPINES DAILY EXPRESS in English 4 Jun 82 p 1

[Article by Resty Perez]

[Text]

THE interest rate reforms implemented by the Central Bank last year will further shut off farmers from cheaper sources of funds, like rural banks.

As a result, farmers will have to turn to relatives and loan sharks to continue planting.

In a recent study, the Technical Board for Agricultural Credit (TBAC) warned that if the adverse effects of the reforms on the farmers are not corrected soon, farm output will drop and the government's drive to increase production of crops, like rice and corn, may suffer.

LAST YEAR, the CB allowed banks to pay higher interest rates on deposits. It also increased the cost of borrowing CB funds for purposes of relending from one percent to three percent.

TBAC, however, noted that the banks, particularly the rural banks, cannot recover the added costs because they are allowed to charge only 12 percent yearly interest on loans under supervised credit programs like the Masagana 99.

To protect their interests, the rural banks ask for collaterals from the farmers and deduct in advance

interest, TBAC added.

Majority of the farmers, TBAC further said, cannot afford these measures thus forcing at least 70 percent of the country's almost two million farmers to borrow funds elsewhere.

MINISTRY of Agriculture sources said that the lack of cheap credit from banks is forcing many farmers to leave their farms and 90 urban areas in search of employment.

In fact, the sources said, the area planted to rice alone has dropped by about five percent in the past three years. On the other hand, demand for rice grows from two to three percent yearly.

To continue the flow of cheap funds to the countryside rural banks should expand operations either by grouping together or infusing more equity, TBAC suggested.

This move, TBAC explained, can reduce the banks' administrative cost of about four centavos out of every P1 lent.

Banks can also "reduce their default costs by screening out non-collateralized and financially unviable small borrowers and projects," TBAC said.

GOVERNMENT SURPLUS REPORTED

Manila PHILIPPINES DAILY EXPRESS in English 4 Jun 82 pp 10, 9

[Article by George T. Nervez]

[Text]

CASH operations of the national government last April showed a surplus of P192.88 million, a significant improvement from the P1.88-billion deficit in the same month last year.

The bureau of the treasury reported that revenues amounted to P7.2 billion, a 100.37-percent improvement from last year's P3.6 billion.

It said that the combined collections of the bureau of Internal Revenue and the Bureau of Customs totalling P3.597 billion constituted almost one-half of the government revenues.

Non-tax revenues declined significantly from P384.03 million in 1981 to P296. million or 22.72 percent. Non-budgetary receipts increased to P3.063 billion, from only P1.274 billion in April 1981. The increase was P1,789 billion.

THE bureau said that higher capital outlays, especially capitalization for government agencies, boosted expenses to P7.03 billion in April, up by P1.5 billion or 28.12 percent from last year's P5.487 billion.

During the month, net borrowings of the government amounted to P1.487 billion, up P640.96 million or 75.76 percent over the previous year's P846.11 million.

New loans in April 1982 reached P1.487 billion consisting of domestic loans and foreign loans of P846.04 million and P641.03 million, respectively.

At end-April 1982, the government's cash balance reached P18.363 billion which was 22.58 percent more than the cash position of P14.98 billion as of end April last year.

PHILIPPINES

BRIEFS

NPA AMBUSHES POLICE IN ZAMBOANGA--Zamboanga, June 4--Six policemen were ambushed and killed by armed men believed to be members of the New People's Army in Zamboanga Wednesday, military sources said today. They said about 30 heavily armed men attacked the policemen who were returning to their station after investigating a murder case in Domalinao town. The armed men burned the policemen's jeep and took their guns, the sources said. [Text] [Manila PHILIPPINES DAILY EXPRESS in English 5 Jun 82 p 8]

CSO: 4220/62

COLOMBO MOVING TO INCREASE TRADE TIES WITH ASEAN

Kuala Lumpur BUSINESS TIMES in English 14 May 82 p 19

[Article by Dalton De Silva in Colombo]

[Text]

SRI Lanka, waiting for a decision on its application to join the Association of South-East Asian Nations (Asean), is meanwhile striving to improve trade with the group.

Sri Lanka applied for full membership one year ago, but Asean, which links Indonesia, Malaysia, the Philippines, Singapore and Thailand, has so far put off a decision.

Foreign Ministry officials here said they expect the matter to be taken up at a meeting of foreign ministers of Asean countries likely to take place in Singapore in June.

Sri Lanka's bid to join Asean surprised diplomats in Colombo, particularly as only a few days earlier Sri Lanka had hosted a meeting of seven countries to promote regional cooperation in South Asia.

Diplomatic sources said Asean might find it difficult to admit Sri Lanka as a full member as the island is outside its geographical region.

While a decision on the application is pending, Sri Lanka's Cabinet last April 21 decided to explore ways of improving trade relations and economic collaboration with Asean.

The decision was taken on a proposal made by Prime Minister Ranasinghe Premadasa, who has been pushing the idea of joining Asean.

As a first step an exploratory business mission including representatives from the public and private sectors is to be sent to the Asean countries.

Trade and Shipping Minister Lalth Athulathmudali, whose ministry is coordinating arrangements for the mission, said initially it would be difficult to further expand trade with Asean as Sri Lanka and the group both produce the same primary commodities such as tea, rubber, coconut and spices.

"While I don't expect any short term success we will be able to increase trade by entering into some economic agreement with them," he said.

Bilateral trade between Sri Lanka and the Asean countries has been developing during the past four years following the trade liberalisation policy of the present government in Sri Lanka.

The trade balance has, however, been heavily in favour of the five South-East Asian countries.

Sri Lanka's main exports to these countries at present include tea, cocoa, sesame seed, beche-de-mer, shark fins, gems, coir fibre, graphite, spices and tobacco.

Imports from these countries include infant milk food, primary cell batteries, radio sets, palm oil, lubricating oils, insecticides, synthetic fibres, polyester fibres, cotton yarn

and woven fabrics.

A committee of senior officials has made a report to the Sri Lanka government on possibilities of promoting greater trade and other forms of economic collaboration with Asean.

Sri Lanka hopes to get the benefits of preferential trading arrangements by joining Asean. The committee has said that over a period of time the Asean countries have developed a system of preferential tariffs among themselves for over 2,000 items.

Pending the admission of the island into Asean, the committee has said that entering into trade agreements with the individual countries might open the door for at least most favoured nation treatment.

Joint ventures

Such trade agreements would facilitate the setting up of joint committees of officials who could identify new commodities and areas for trade. At present Sri Lanka has a trade agreement with the Philippines.

The committee has also identified various additional Sri Lankan products which could find markets in Asean countries.

It has also proposed the setting up of joint ventures in Sri Lanka and in the Asean countries between Sri Lankan businessmen and nationals of those countries. — Reuter

TULF FACES DILEMMA OVER CAPTURED TERRORISTS

Colombo THE ISLAND in English 29 May 82 p 1

[Text]

The arrest of five alleged Sri Lankan terrorists in India has put the Tamil United Liberation Front in a quandary.

While members of the newly-formed Tamil Eelam Liberation Front have publicly proclaimed their support for the captured youths in India and have urged the Indian authorities not to send them back to Sri Lanka, the TULF has remained conspicuously silent on the issue.

'The Island' reliably learns that the TULF Parliamentary group and other high-ranking members discussed the events in India and contemplated possible action.

However, 'The Island' learns that the TULF is under constraint in taking any open action on this issue as it would create an impression that the Party had connections with the terrorist groups.

Political observers feel that any official action taken by the TULF would hamper the on-going dialogue between the Government and the Party.

These observers said that the TULF dilemma arose from the fact that inaction on its part would lead to a loss of prestige among its supporters. Failure by the TULF to adopt a clear stand could lead to an impression that the leading Tamil party had let down the Tamil youth in their time of distress.

This feeling could become more

pronounced as Mr.Amirthalingam, the Opposition Leader had gone on record that it was Mr.M.Sivasithamparam who had to run to the rescue of Tamil youth when produced before Courts. Mr.Amirthalingam said this at the TULF May Day rally in Jaffna.

Mr.M.Sivasithamparam, the President of the TULF and a leading lawyer has been appearing on behalf of Tamil youths detained by the police.

Another factor disturbing the TULF is the fact that Mr.S.C. Chandrahasan, the son of Mr.S.J.V. Chelvanayakam has gone to Madras to offer legal advice to the arrested persons. The TULF leadership which has been giving Mr.Chandrasan the cold shoulder for some time is worried that this could result in a massive boost to his political image.

Another young lawyer, Mr.S. Navaratnam, who has also gone to India to render legal advice is supposed to be a TULF nominee, although party sources have denied it.

Political observers feel that Mr.Chandrasan's Madras trip and the publicly avowed sentiments of sympathy by Mr.Kovai Mahesan, the editor of 'Suthanthiran' has caused discomfiture to the TULF whose hands are tied by the Government-TULF amity talks.

INDIAN CRACK DOWN ON TIGERS LINKED TO OIL FARM DEAL

Colombo THE ISLAND in English 30 May 82 p 1

[Article by D.B.S. Jeyaraj]

[Text]

Speculation in political and diplomatic circles last week was a possible link between the Indian Government's all-out crack-down on Sri Lankan terrorists who had fled to South India and the Sri Lankan Government's recent decision to abandon the proposal to set up an oil tank farm in Trincomalee with an American Company Coastal Corporation.

Even Sri Lanka's Foreign Ministry officials have been surprised by the whole-hearted support given by the TAMIL Nadu Police to apprehend the Tamil Liberation Tigers who had, so far, been living in Tamil Nadu, without any hindrance from the Authorities.

It is being pointed out by the Police officials here that although the Madras Police knew of the whereabouts of the Sri Lankan terrorists who had sought refuge in India, no positive action had been taken to apprehend them. Last week's raids conducted by the Madras Police on homes of politicians and even lawyers, even though it went against public opinion, is being viewed as a special favour to Sri Lanka by the Indian Government.

Earlier, Indo-Sri Lanka relations, which had been at a low ebb with Mrs. Indira Gandhi coming back to power after the defeat of the Janata Government, hit rock bottom when the Sri Lanka Government and the US firm, Coastal Corporation, commenced negotiations. It was alleged that one clause in the draft agreement provided for oil that would be stored in the proposed tank farm being made available to the United States Navy.

This agreement had perturbed New Delhi

in the context of its defence strategies as well as its foreign policies. There was also speculation that the Indian Government which has received massive aid in armaments from the Soviet Union could have been pressurised by the Soviet Union to express its opposition to the Ceylon Petroleum Corporation and the Coastal Corporation setting up the massive oil storage complex in Trincomalee.

With Indo-Sri Lanka relations at a very low ebb during the last quarter of last year, Trade Minister Mr. Lalith Athulathmudali's visit to New Delhi directly from Beijing following trade talks there is interpreted as a move by the Sri Lankan Government to assuage the Indian Government's apprehensions that Sri Lanka would not compromise its declared policies of non-alignment. 'The Island' understands that this was directly conveyed to Mrs. Gandhi by Trade and Shipping Minister Mr. Lalith Athulathmudali himself.

With the oil tank farm deal with the American Company definitely out, New Delhi is demonstrating how it could help Sri Lanka if she co-operated with India, a Foreign Ministry source said.

While the question of the extradition of the captured terrorists would depend on legal procedures and Indian Constitutional provisions, the whole-hearted support of the Indian Police is likely to be continued, sources say.

With such co-operation, the terrorist movement in the North would not last because the stumbling block for the Sri Lankan security forces has been the fleeing of terrorists to South India and their comfortable existence there, sources added.

SAUDI LOAN AGREEMENT SIGNED

Colombo THE ISLAND in English 1 Jun 82 p 1

[Text]

A delegation from Saudi Arabia will be visiting Sri Lanka this month to finalise the agreement of a massive 256 million Saudi Riyals (Rs.1.5 billion approx.) loan for the Accelerated Mahaveli Development Scheme.

Last week, the Department of External Resources of the Finance Ministry was informed that the Saudi Development Fund had agreed in principle to grant the loan

The Mahaveli Ministry has been asked by the Department of External Resources to have all estimates and other documentation ready in time for the visit of the delegation from the Saudi Development Fund.

The money would be used for the development of System 'B' - the Maduru Oya project.

It has been tentatively agreed that 85 million Saudi Riyals

(Rs.481.1 million) should go in for the development of the Maduru Oya Left Bank, while 171 million Saudi Riyals (Rs.967.86 million) will be utilised for the development of the Right Bank of Maduru Oya.

A delegation from the Saudi Development Fund was here last year to initiate the loan negotiations.

CSO: 4220/55

SOVIET INTEREST IN OIL STORAGE FACILITY

Kuala Lumpur BUSINESS TIMES in English 26 May 82 p 2

[Text]

THE Soviet Union has shown interest in the biggest unused oil storage facility in the Indian Ocean, the China Bay Tank Farm in Sri Lanka's strategic port town of Trincomalee, according to a government official.

The Soviets were the latest to respond to state-owned Ceylon Petroleum Corporation's renewed worldwide invitation to rehabilitate, develop, market and operate the oil storage complex, corporation chairman Dahan Wimalasena said.

Soviet embassy officials conveyed their interest to the corporation last week and obtained details about the farm, Mr Wimalasena said.

The corporation renewed its worldwide invitation after negotiations with Coastal Corporation, a Texas-based oil company, broke down, he said.

Coastal wanted a provision in the lease agreement allowing the company to store oil for foreign navies, but one of the pre-conditions laid down by the government corporation is that oil owned

by any military establishment cannot be stored in the tank farm.

Other firms showing interest in the tank farm 241 km (150 miles) north-east of Colombo include Pacific Resources, Inc., an American firm, Unitank, a British firm, the Indian Oil Corporation and a German company.

The government offer is due to close on May 31.

Built by the late Lord Louis Mountbatten as a strategic refuelling base for the allied fleet during World War II, the farm has 99 oil storage tanks spread over 270 hectares (676 acres). In 1964, the British admiralty sold the tank farm to Sri Lanka for £250,000.

CSO: 4220/621

EDITORIAL CITES DISARRAY IN KRIANGSAK PARTY

Bangkok SIAM RAT in Thai 27 April 82 p 3

[Article: "The National Democratic Party"]

[Text] Last Sunday the National Democratic Party held its first session in the Dusitthani Hotel. When the time came for the second session, the selection of the party committee, the meeting was suddenly stopped and postponed indefinitely.

General Kriangsak Chamanan, the National Democratic Party leader, gave a long speech with an introduction giving his reasons as to why it was necessary to set up this political party. He said the reason was to fight democratically, and that even though he had served in many revolutions he did not want to do things [that way]. However, one thing that General Kriangsak as party leader has not given his views on is what kind of person he wants as the secretary of the National Democratic Party, which he himself founded.

At the National Democratic Party's meeting last Sunday, it was considered important that it be done legally so that the National Democratic Party would be able to exist as a political party, according to the laws regulating political parties.

However, since its first meeting ended in failure, hopes of administering national affairs according to the party's philosophy have encountered a problem.

All of the news coverage said as if with one voice that [the problem] was a result of the competition for party secretary between two groups. These were the only groups at the time of the meeting after many other groups that wanted this post either withdraw from the party or resigned. The meeting was a failure because of the action of a group that wanted the post. When it found out at the last minute that it had lost to the other group, it tried to abort the meeting by withdrawing some provincial representatives, so that the meeting would not be complete.

The failure of the National Democratic Party's meeting this time resulted from the competition for the position of secretary which could not be agreed upon in advance. This is because of the importance of the position of the secretary

of a political party, and its role in administering a party's activities being no less than that of the party's leader. It is possible that a person who desires this post would want to influence the National Democratic Party's policy for his own purposes, even though he had to strive for the position by many means. A person who dares to do this must be very patriotic. Meanwhile, if it was a competition for the power to achieve the party's advantage, then what happened as a result of the failure of the National Democratic Party will very much indicate the future of this party.

9884

CSO: 4207/91

FUTURE EMPLOYMENT PROBLEMS SEEN

Bangkok SIAM RAT SAPPADA WICHAN in Thai 2 May 82 pp 8-9

[Excerpts] Mr Chira Hongladarom, director of the Human Resources Institute of Thammasat [University], in speaking of the unemployment problem pointed out that [because] agricultural production has increased prices are lower, and along with the ailing world economy the agricultural sector is no longer able to absorb any labor. As for the industrial sector, production has decreased, production costs are higher, and buying power has decreased. The resulting decreased productivity and worker layoffs have made the unemployment problem more serious.

"Where will those who are unemployed in the agricultural and industrial sectors turn? There are three choices--to the agricultural sector, to the industrial sector, or back to the [family assistance system]. This last might lead to crime, because the government has not yet provided a guarantee to the people, such as [social insurance]," Mr Chira said.

However, unemployment is a fundamental problem, and it is inappropriate to look only at [what is happening] in 1982. Moreover, he indicated a way out for the government for a short-term solution, as follows.

In agriculture the government should accelerate the improvement in [marketing regulations] and other measures concerning exports that increase [export costs] and hinder exports. It should decrease the production of goods that do not command good prices, and it should recommend that farmers produce other goods that can command better prices. This means changing the [policy of production areas], improving capital management, and motivating the hiring of workers in agriculture by encouraging [local industry] and [agricultural industry].

According to statistics given by Mr Kroek-Kiat Phiphatseritham, chairman of the Economics Department of Thammasat University, the approximately 10 million people of working age 15-24 years old in 1981 will increase to 11.1 million in 1984 and 11.6 million in 1986. In 1981, 79 percent of the population was not in the school system, and this figure will be 77 percent in 1984. The question is, where will these people be?

Mr Kroek-Kiat also indicated that in 1981 there were 190,000 people unemployed, and in 1986 385,000 youth would be jobless. "Even though these figures are not high, when we consider the low level of work, and not working at full steam,

we find that in 1981 there were as many as 2,900,000 people jobless and who did not work up to their full potential. This was 29 percent of the youth in the labor force. This figure will gradually increase until 1986, when there will be approximately 40 percent. This will damage the economy and society, and will help push the unemployment problem to a crisis."

Mr Kroek-Kiat pointed out five causes of the problem: economic development being unable to come up to full steam, the poor shape of the economy in rural areas, inflation, external causes and government policy, and [government inefficiency].

Mr Charoen Siriphan, assistant director general of the Labor Department, was the next to discuss the division of the unemployment problem into three areas, [general unemployment], 700,000 people; [low-level unemployment], about 30 percent and seasonal unemployment, about 70 percent, mostly in agriculture.

"Unemployment on the average is found to be approximately 1,200,000 people a year, and migration of labor into Bangkok about 4,000-6,000 people," continued Mr Charoen, "and the figures from the Department of Education show that about 422,000 children who graduated from the sixth year primary level do not continue on to the higher level. About 46,000 students graduated from the fourth year secondary level who do not continue their study, along with 17,000 bachelor's degree level and higher education degree graduates. The sum total of students who discontinue their study is 60,000-70,000 students, and these students increase the unemployment problem.

The assistant director of the Labor Department pointed out five reasons for the increase in unemployment, as follows: factory closings and worker layoffs that started in 1979-1980 because of the ailing world economy, increased oil costs resulting in higher production costs, the territorial problem where the closing of the border has left a lot of goods unsold and industry unable to expand, increased agricultural production with no guarantee of prices, and the decrease in buying power. Also, business is still confronted with the problem of [high] interest, and this reduces hiring and leads to worker layoffs.

9884

CSO: 4707/91

PARTNERS EXPRESS 'SHOCK' OVER CANCELLATION OF POLISH PLANT

Bangkok BANGKOK POST in English 31 May 82 p 24

[Text]

THAI PARTNERS OF A Thai-Polish consortium have expressed "shock" upon hearing a report that the Cabinet last week decided to scrap the previous bid they have won for the construction of a new aluminium sulphate manufacturing facility of the Alum Organization.

"We have to await formal notification from government authorities concerned and then we will request for further clarification because what we have heard so far was totally unreasonable," says Chusak Siriwongse, managing director of M.H. Planning and Development Co Ltd, the partner of Polimex-Cekop Ltd of Warsaw.

Speaking with disappointment Chusak says that it is very "ridiculous" for the Cabinet to have arrived at such a conclusion because whatever formalities involved in the previous bid had received full consent of the government all along.

If the consortium obtained a clarification from the government, he says that M.H. Planning intends to petition ask the Cabinet to review its decision which was based, this time, solely on the fact that there was disparity of the actual cost of the proposed factory with the original budget approved at 225 million baht by the Cabinet some years ago.

The Cabinet was also of a view that the bid created limited interest because there were only three contenders in the final bidding held on Oct 2, 1981.

The cost proposed by the firm for the new plant was 518 million baht, including about 380 million baht of bid price. But Chusak says that this includes a highly attractive supplier credit and preliminary preparations.

Chusak says that contrary to a claim that the tender created limited interest, over 50 international companies envisaged participation but only around 15 satisfied the conditions of prequalification.

A total of three bids were submitted by pre-qualified bidders, including the Thai-Polish Consortium which offered 382.26 million; Sin Chem of UK 398.8 million baht and Mitsui & Co of Japan 790 million baht for the turn-key project.

"The Cabinet and other government agencies have known about this all the time. The Alum Organization has also accepted it. This is therefore a shock to us," Chusak says.

He points out that the bid was higher than what the Cabinet had expected at 225 million baht was in no way a fault of the company. "After all the Alum Organization's conditions for bid were made by its associated consultants," he says.

The consultants include TT Consult; Kingston, Reynolds, Thome Allardice; and the New Zealand Farmers Fertilizer. "You cannot expect it to be cheaper, because they say that the living quarters of the workers should have "Schlage" lock and keys, "American Standard" sanitaryware. They even drew up specifications for office furniture," Chusak says.

The government was not reasonable to scrap the bid, he says, claiming that it was expensive and that the state enterprise had set too stringent requirement for liquidated damages which deterred other bidders from participation.

"Well, let us see. Three firms competed in the bidding, because they were confident that they could do it at time regardless of the stringent conditions," he says.

"What the government has done was incomprehensible. It called for students to sit for examination. Some attended and passed the exams when the result was announced after ward. Then the government decided to cancel it, citing that the exams were too tough and that was why there were not many students," Chusak says.

He also warned of repercussions that the decision might eventually lead to as far as interna-

tional biddings to be called by the government are concerned. "People will show a very cautious reservation because they might find themselves in the same situation as ours," he says.

Asked whether the firm will participate in the to-be-called bid again Chusak says that he would have to observe the situation very closely. "We have to screen all conditions carefully and participation might be half-hearted."

"If the government thinks that the project is too expensive, why didn't it call us for negotiations whereby expensive items can be changed if it wants to reduce the size of the plant and facility?" he asked.

Now, the question is: Who will stand to lose? Certainly Polimex-Cekop will be among the losers. The company claimed that it had already spend more than 10 million baht for preliminary engineering and designs to ensure that the project would be smoothly carried out to be in time as otherwise the firm might have to face high liquidated damages fixed at 0.002 per cent of total contract value.

The Alum Organization has already completed site preparation for the new plant in Pakkred District of Nonthaburi. M.H. Planning has also spent money for basic design as well as Zenith Engineering and Construction Ltd, a Thai firm which will be in charge of erection and civil work.

Furthermore, the organization will find it difficult to keep pace with the demand for alum by the Metropolitan Water Works Authority under its five-year expansion project. The Cabinet has permitted the Alum Organization to spend up to 20 million baht to "debottleneck" its existing plant which, Chusak says, its type and facility is so obsolete that similar ones exist only in remote areas in Africa and Bangladesh.

EQUIPMENT

"Who can tell that the 20 million baht would be enough? New equipment and machinery would have to be replaced because they are already in bad conditions and that's why the organization had been pushing very hard to have a new plant," he says.

Another M.H. Planning executive says that the delay would only benefit local producers of sulfuric acid who have been hoping that the new alum plant would never get off the ground

because it has a sulfuric acid production unit.

"What we see is that the government does not trust the associated consultants it had hired to work out the project. Why had they been hired in the first place with a lot of money?" he asks.

Convinced that the consortium would clinch the project, the firm had already extend-

ed the validity of its offer four times — the last ended on March 31, 1982 — at the request of Thai authorities.

Such extensions, which in terms of international practice are most unusual, were granted without any price escalation despite worldwide inflationary pressure and the original bid price remains valid until then, Chusak says.

The consortium has also placed a performance bond worth 10 million baht from Bangkok Bank for the project of which much of the equipment and machinery will either be fabricated locally under Polimex-Cekop's supervision or will be supplied from Western Europe to reduce the risk of delays in supplies.

Asked whether the company would seek help from Polish Embassy authorities this time, Chusak says that it would be unlikely because the amount is too small for Polish authorities to have their dignity in deep involvement.

The Cabinet decision did not express reservation on the situation in Poland and the capability of the firm to implement the project similar to the one made in December.

"Why the government had to take so much troubles in calling a new bid with more capital injected in the old plant?" he asks.

The organization is buying sulfuric acid at 3,600 baht per ton, up from 1,325-1390 baht per ton when the state-owned Mae Moh Fertilizer Plant functioned a few years ago before it was closed down due to heavy financial loss. Immediately after the price of sulfuric acid offered by local producers shot up to 2,900 baht per ton.

"The new plant will produce the chemical at only 2,600 baht per ton and the state enterprise would have saved a lot of money. It now has to pay for a new feasibility study, consultants and others," Chusak says.

The existing plant is producing 19,000 tons of aluminium sulphate annually but MWWA will need 30,000 tons next year. Production of the proposed new plant would have been 70,000 tons with 100 tons of sulfuric acid a day.

Chusak says the new plant would not be as cheap as the present one. "If it were, it meant that a lot of things must have been changed."

LPDR MILITARY UNITS NEAR BORDER, ANTI-THAI ACTIVITY NOTED

Bangkok SIAM RAT SAPPADA WICHAN in Thai 2 May 82 p 10

[Article: "The Mekong River Operations Unit in Nakon Phanom; an Obstacle to the Red Lao"]

[Text] Vessels of the Mekong River Operations Unit (MROU) operating between the Thai-Lao border have periodically caused disputes between the two countries. On 25 March 1982 the leader of Bolikham District, which is across the river opposite Nongkhai Province in the area of Beungkan District, even sent a [letter] to the Beungkam sheriff to withdraw two marine police vessels anchored on the sandy beach in front of the district office building on the Thai border.

However, the Thai government refused because it was the low water period and there were many Thais enjoying the Mekong River. Moreover, it was to prevent the smuggling of illegal taxed items. The Bolikham District leader then asked to meet with the Thai Border Committee because he wanted approval from the Ministry of Interior and the governor first. Laos sent two airplanes flying over the anchored marine police boats, probably to observe.

Even so, the Thais refused to withdraw the vessels from where they were anchored on patrol. The governor confirmed that the marine police vessels were the property of the Thai Kingdom and had the right to the territory. Also, it did not violate sovereignty. In addition, the Thais informed the Lao government that the marine police boats were anchored on Thai territory in order to intercept the infiltration of those who are harmful to the Lao People's Democratic Republic as a fraternal country, according to an official Thai-Lao joint announcement. To be on the safe side, the paramilitary forces are told to be ready for a counterattack from the opposite side.

Finally Collision Occurs

One month later the Thai MROU vessels were improved in terms of their efficiency. This was done by bringing the marine units which were stronger than the marine police to guard this section of territory. They finally clashed with the Lao. The incident occurred at 1900 on 26 April, when Lieutenant Commander Yuth Chan-yim, [commander of vessel units of the MROU], ordered MROU vessel 332 to patrol the Mekong River. When they reached Napo Village, Mukdahan District, Nakon Phanom Province, they found a rowboat headed toward the Thai shore. On inspecting, they found a mortar. As the Thai vessel made its way back to its base, it was fired on by a guard unit on the beach. Two Thai soldiers were killed and one was captured.

The Second Army Division sent a plane for 30 minutes of [cannon fire] in the area of the incident, in order to search for the lost soldiers, and a mortar was fired for protection. This was the first time this year that a serious incident had occurred, after Thai-Lao relations had begun to improve. General Sithiti Chirarot, Interior Minister, visited Laos and the Thai government agreed to sell oil and war material directly to the Lao government, instead of its having to buy them from private dealers.

There have always been transport vessels in Laos, both large and small. Some were even blown to the Thai shore during strong storms. The Thais, however, have compromised by being willing to return the vessels all along. According to information sources there are two locations for the mixed Lao-Vietnamese force units stationed along the Thai-Lao border on the Nakon Phanom Province side.

The first unit is located at Houei Meng. There is one Company of 60 soldiers; Mr Hai and Mr Hai are the chief and assistant chief. There are two [60] mortars and six B40's. The second unit is stationed in Houei Kasa. This force consists of one Company of 100 soldiers, two mortars, and eight B40's. Both units change the location for their operation every two months.

Strengthening the Forces

Besides these, the force is strengthened by 40 green ten-wheeled [56R-2] vehicles and four amphibious vehicles for transporting soldiers and materials from Mahaxai Village to stop and rest at Nam Thon camp. From there they split up and the forces moved slowly to Fakkonko Village with two tanks, and two tanks at Pasan District. There are 500 soldiers, all Vietnamese.

Soldiers stationed in Nong Bok District, Khammouan Province, are under the command of [the Independent 99-th Army Division] located in Nachampa Village. [The force consists of Mr Chapai, the leader, three B40's, and 33 B41's. The Independent 29-th Division commanded by Mr Lamkeow has 60 soldiers, three B40's, and three B41's.

These Lao and Vietnamese forces are set up to wipe out the resistance groups that operate along the border. The Lao government has enlisted its people from 15-45 years of age to form one company guerilla unit in each village, whose purpose is to wipe out the resistance groups and [free-Laos groups]. Moreover, the Lao government collects rice taxes from its people who join cooperatives, and it forbids the Lao people from getting involved with Thais. If Thai people were to cross the river, both Thais and Lao would be arrested. Roads are being built from villages to Route 13 along the border in order to transport forces, and which may also invade Thailand.

The MROU an Obstacle [for the Red Lao]

There have been periodic reports that the Lao government has set up a new Thai Communist Party which favors the Soviet Union. Its base is near Wat Tai Airport. Some [members] have often been sent across the border illegally to Thailand. After their training was finished, a report from Nakom Phanom Province

was disclosed to SIAM RAT SAPPADA WICHAN dealing with the questioning of those who turned themselves in. According to the report, there were about 20-30 young Vietnamese refugees, but it is not known where they are from. They travelled to obtain military training on a mountain in the area of Dong Louang Sub-district, Nakon Phanom Province, and the area of Khao Wong District, Kalasin Province, and in the areas of Phou Te and Phou Phadeng Mountains. Five instructors travelled from the Lao People's Democratic Republic, ranking from sub-lieutenant to captain. This training has been going on since last December.

These groups were trained three times a week. During the training period, the Vietnamese refugees did not stay on the mountain; they left and went back to the districts in order to avoid being wiped out by [the authorities]. They kept on doing this until the training was finished. Then they would go back to the places where they were from, and resumed living as usual.

The purpose of this training is to learn military operations and how to use different kinds of guns in order to follow the orders of the party. Whenever there is an emergency they will be able to perform [their duty] immediately; they will become support forces when an incident occurs and they will be the main forces in the districts.

To smuggle these forces into Thailand, they must cross the Mekong River by row-boat on dark nights to avoid being seen. Therefore, the stronger the Thai MROU, the more it becomes an obstacle to this Lao operation.

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CSO: 4207/91

THREE MUSLIM SEPARATIST GROUPS IN SOUTHERN PROVINCES

Kuala Lumpur BUSINESS TIMES in English 11 May 82 p 19

[Excerpts]

IT WAS dusk and pouring with rain when a packed passenger train hit a time-bomb in the jungle-clad hills of Southern Thailand.

In the deafening commotion, 40 men leapt out of the growing shadows off the tracks to open fire with M-16 assault rifles and M-79 grenade launchers at the stalled vehicle.

Border patrol policemen (BPP) men on board put up a fight. After a brief duel, the attackers fled into the night leaving blood trails. The toll was one BPP private and five civilians injured.

The locomotive and several passenger cars were damaged.

The March 29 incident in Ra-Ngae district was the first attack on a train this year by Muslim separatists seeking autonomy from Bangkok.

Narathiwat governor Chirt Nilpanich told AFP it had been the work of the Barisan Revolution Nationale (BRN), an "up and coming" group of "left-leaning" separatists.

Drawing on about 300 armed men, the BRN is said to be backed by the Palestine Liberation Organisation (PLO).

One source described the group's leader, identified as Ustaz Karim, as "a man of Yasser Arafat".

The pro-Soviet BRN is among three self-styled groups seeking auton-

omy from Bangkok for the Muslim-dominated southern provinces of Yala, Narathiwat, Pattani and Satun — home for at least 75 per cent of the two million-strong Muslim population in predominantly Buddhist Thailand.

The Pattani United Liberation Organisation (PULO) and the Barisan National People of Pattani (BNPP) are the other separatist groups.

All have the common goal of self-rule but different ideology and do not cooperate.

While the BRN is said to be left-leaning, PULO is seen as right-wing and the BNPP an advocate of moderation.

Founded in 1967, PULO is the oldest and, with some 600 armed men, the most threatening group.

Pattani provincial police superintendent, Choochart Tassanasathien, named Kubiroh Kotoh Miroh as head of the group that descends from the former rulers of Pattani, a state that covered the provinces of Pattani, Yala and Narathiwat.

But other sources have named Arong Mulong, a Thai Muslim aged about 45, as leader of the group. Mr Mulong is said to have been declared persona non grata by the Thai government and is now believed to be in the United States.

PULO is widely believed to have received aid — military training weapons and funds — from Libya although this has been denied.

The group claimed responsibility for a rash of bomb attacks in Bangkok in mid-1980.

Early last year, it grabbed the international limelight in clashes with the outlawed Communist Party of Malaya (CPM) in the southern most district of Betong, the so-called Red salient that juts into Malaysia's Perak state.

It was PULO's first entry into Betong, a long-time sanctuary of the CPM which deploys some 3,000 armed men in the Thai-Malaysian border area.

The CPM guerillas resented the fact, stepped up harassment of the local Muslim villagers who, after being denied government help, turned to PULO to relieve their plight, sources said.

PULO agreed to oblige but urged villagers to evacuate their homes to make way for the showdown. The subsequent exodus of 1,200 Thai Muslims to northern Malaysia in April strained Thai-Malaysian relations for months.

The BNPP, toying a moderate line, is said to be led by a 60-year old man identified as Idres Matdiyah. Mr Matdiyah reportedly served as a

volunteer under the British in Malaysia and is said to have received support from undisclosed Middle Eastern states for his 300-armed fighters.

Sources say the separatist movement began with the Anglo-Thai Treaty of 1909 when Britain obtained the northern Malaysian states of Perlis, Trengganu, Kelantan and Kedah, and in Thailand the southern provinces of Yala, Pattani and Narathiwat.

The rulers of what was then Pattani, arguing that it was a suzerainty state that could not be turned over to Thailand, protested the move. When London declined to bend, the first separatist group, "BLCK 1909", was born.

The Muslim separatist groups of today do not have the popular appeal of their predecessors, according to analysts.

The groups, seen by many local Muslim leaders as bands of "uneducated" people, cannot count on more than one per cent of the Muslim population for support according to various estimates.

They were "born of oppression" but the currently "no more than pressure groups", analysts say.

Support from the Middle East is also said to be waning as the Arab states fail to see cohesiveness in the movement. — AFP

EGAT GAS PIPELINE CONTINUES TO LEAK, LOSSES SIGNIFICANT

Bangkok BANGKOK POST in English 29 May 82 p 5

[Text]

LEAKS in the gas pipeline are still causing the Petroleum Authority of Thailand to provide EGAT's Bang Pakong power plant with less than the contracted amount of gas, Mr Kamthorn Sindhuwananda, Deputy Governor of the Electricity Generating Authority of Thailand, said yesterday.

He said that at the moment the Chon Buri plant is receiving only 130 million cubic feet per day as against the normal 200 million cubic feet that the PTT is to supply.

The PTT buys the gas from Union Oil (Thailand) Company, but leaks in the pipeline have prevented the PTT from receiving the full amount for some months now, Mr Kamthorn said.

He said that when the leakage problem first surfaced, EGAT was still getting about 150 million cubic feet of gas per day from PTT, but the leakage has lowered that to the present level.

Problems with the filtering device in the pipeline are believed to be responsible for the leakage.

Mr Kamthorn said that if there were no problems, PTT could supply EGAT with up to 1,000 million cubic feet of gas per day.

Asked about rumours that the Telephone Organisation of Thailand had made several offers to him to take over as its director, Mr Kamthorn confirmed that the offers have been made.

CSO: 4220/65

RTN WANTS MORE EXOCETS

Bangkok THE NATION REVIEW in English 31 May 82 p 24

[Text]

APART from the eleven Exocet missiles the Royal Thai Navy presently has installed on three of its Fast Patrol Boats (FPBs), the RTN would like to have more of the deadly missiles for its boats, RTN spokesman Capt Prasan Chouchinda told the *Bangkok Post* yesterday.

Capt Prasan said, although the RTN would like very much to acquire some more of the 1.9-million-baht radar-guided French-made missile, the final decision will rest with the Government since the price for the missile has gone up considerably.

The RTN's French-made missiles, the Exocet MM.38 (Mer-Mer, or sea-to-sea), can be fired from the distance of 42 kilometres (26 mi), with the probability of its locking-on to the target greater than 99.5 per cent. The Exocet can be fired without the missile having to be aimed directly at the target, because the radar guidance system can steer the missile towards its target at a speed slightly lower than the speed of sound.

The Argentines, who have used the aircraft-mounted Exocets with great success against the British task force, are now believed to be running short of the missiles. The Argentine Navy was believed to have in its arsenal only six AM.39 Exocets (longer-range air-to-sea model). However, a Royal

Thai Air Force source told the *Post* that the six Argentine missiles were MM.38s converted for airborne use.

RTN's Capt Prasan said that the RTN has three new FPBs being built in Italy, while locally, the Ital-Thai Marine Co is under the contract to supply the RTN with four more FPBs. Therefore, Capt Prasan said, it would be very good if the RTN can equip all the FPBs with the Exocet missiles.

At present, the Navy's three Exocet-equipped FPBs are carrying four missiles each, except for the one which had one missile test-fired in April last year.