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29 July 1982

# WEST EUROPE REPORT

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## TRADE UNIONS MOVING TOWARD PEACE MOVEMENT ON INF

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 29 Jun 82 p 10

[Article by Hugo Mueller-Vogg: "The German Labor Union Federation [DGB] in the Undertow of the Peace Movement--Hardly Anyone in the DGB Speaks of a Peace Proclamation of Its Own"]

[Text] Duesseldorf, June--Even as sober and pragmatic a gentleman as the chairman of the Metals Industrial Labor Union appears to have been impressed by the "peace movement's" success in mobilizing the masses. In any case, Eugen Loderer made special mention of three of the Berlin DGB congress's resolutions dealing with countermeasures to unemployment, with management participation and with peace. At the same time he defends the unions against the reproach that in making statements about foreign and defense policies they are going beyond the limits of their competence. Says Loderer: "We know that the workers, and especially the young ones, are watching us to see whether we are taking a stand on these subjects also and are looking for answers."

This very argument, that "the young people" must be considered, was used during the last few months by those unionists who would have loved to integrate the DGB, the 17 separate unions and especially the young unionists into the peace movement in their entirety. Loderer does not go that far. But even Loderer is forced to take a stand, which in this case means a stand against the policies of the FRG Government and against its Western allies, under the pressure from the leftwing of the DGB. In any case, the Industrial Metals Union submitted a resolution in Berlin which came out unequivocally against the counterarming decision.

At the DGB congress this resolution did not win a majority. But the apparent compromise, to the effect that there must be no deployment of medium-range missiles in Europe, gave the hoped-for boost to the intra-union "peace movement." One of the prime movers of the "progressive alliance," Detlef Hensche of the Printers' and Paper Union, submitted, as its spokesman, the following "correct" wording to the resolutions committee in Berlin: "The vote against arming has been passed; it has not yet been decided whether the fight against the NATO counterarming decision should be initiated or continued already now, or whether the outcome of the Geneva talks should be awaited first." What that means is this: if the Geneva talks fail, i.e., if counter-arming becomes necessary, resistance by the unions will be an accomplished fact.

What Loderer refers to as "taking a stand" is interpreted by many a union official as an accommodation to the "peace movement." Julius Lahlbach, DGB Land chairman for Rhineland-Palatinate, has already expressed disappointment that the DGB has not already contacted Bonn on the basis of the Berlin resolution of 10 June. But even in the absence of an official GDB appeal, everybody who is anybody in the leftwing of the Federation had participated on 10 June. Many had already participated on 10 October, and many among them loudly celebrated as progress the fact that the leadership no longer had any objection to an organized participation by unionists, in contrast to their attitude last fall. About the only thing discussed at many union meetings these days are the means of totally committing the union leadership to the "peace movement" while the political content and objectives of that movement only seldom come up for debate. This became particularly evident during this year's "Recklinghausen Ruhr Festival." According to the festival organizers' announcement, there would be a "peace fair," at which "a unanimous fight would be waged for disarmament and detente and the indispensable contribution by the unions to that process." But to avoid letting this unanimous fight get off on a tangent by having too much disagreement, the organizers had made sure that the circle of speakers and discussion participants would be severely limited to known "peace movement" speakers and their allies within the union.

Only after the selection criteria had come in for criticism in the Duesseldorf DGB headquarters were some changes made in this lopsided arrangement. Nevertheless, no invitations were extended to known union proponents of the NATO twin resolution, nor to SPD Bundestag delegate Adolf Schmidt of the miners' union.

Another success of the "progressive alliance" consists of the fact that the subject of Poland has been sidelined within the DGB and most of the separate unions. One of the Youth Department officials of the Federal DGB headquarters, Wolfgang Roemisch, recently published a commentary in the union's youth newspaper in which he openly identified the resistance which the federal youth representatives had to fight in organizing the Ester peace demonstration, because at the same time it was a benefit performance for Poland. A member of the DGB management, Karl Schwab, was even more explicit in a letter written to all members of the leadership just prior to the expiration of his term of office, in which he cited names and dates concerning dissension over the linking of the "peace" and "Poland" themes. Wrote he: "One frequently gained the impression that those positions which are contrary to the policies of the German Communist Party and its ideological area cannot be maintained nor implemented."

It is therefore an established fact that the number of unionists who are "taking a stand" in the peace discussion is growing. But those "positions" are considerably closer to the "Krefeld Appeal" than to the DGB peace appeal, for which signatures are still being solicited--at least officially. The "progressive alliance" wants nothing to do with the joint declaration between the DGB and the Bundeswehr "For Peace and Liberty" of July 1981.

## FINANCES MAY FORCE BIG CUTBACKS IN BUNDESWEHR

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 23 Jun 82 p 3

[Article by Karl Feldmeyer: "Halve Either the Army or the Air Force--Things the Report of the Long-Term Commission Did Not Mention"]

[Text] Bonn, 22 June. The report of the Long-Term Commission focused on a problem of the Bundeswehr [Federal Armed Forces] that is bound to overshadow all other problems for a long time: The personnel problem. But this problem is not the only one. There is also the finance problem. In its report, the Long-Term Commission approached this problem with great caution, claiming that it was impossible to make realistic predictions--over many years--concerning the financial framework. This is certainly true, but at the same time it is an excuse, for the Commission knows full well that from 1987 the size of the Bundeswehr will be jeopardized not only by the decline in the various age groups of draftees. Even before the shortage of soldiers, the Bundeswehr will be threatened by an acute shortage of funds.

The explosiveness of this problem is evident not from the published report, but from an internal report that was submitted at the end of January to State Secretary Leister, the official in charge of the Commission, and that is known--at least unofficially--to Defense Minister Apel. Officially, the report is called outdated, even though this is not true of its results. The financial calculations of this internal report are based on the prices of December 1980 and on the 1981 defense budget and the report assumes that in the "medium term," i.e. during the next 5 years, the defense budget will show "real zero growth," which means that in the next few years the funds available will not exceed those available in 1981--and this includes the amount needed to offset the rate of inflation. In the defense sector, the rate of inflation exceeds the normal level by approximately 2 to 3 percent.

The current year has already shown that this assumption was by no means too pessimistic; rather, it was too optimistic. Nominally, this year's defense budget exceeds by 5.2 percent that of 1981, approximately equaling the overall rate of inflation. However, this increase is not sufficient to offset the additional 2 to 3 percentage points of the inflation rate in the defense sector; consequently, this year there will be no "real zero growth"; rather, a decline in defense funds is to be expected.

According to the current 15th finance plan of the Federal Government, next year there will be an even more drastic reduction of funds, for the plan provides only for a nominal increase of the 1983 defense budget (3.9 percent or DM 1.72 billion);

since the rate of inflation is likely to rise, this means a further decline in the real defense expenditures.

#### "Termination of Operations or Reduction of the Peace-Time Volume"

The consequences of this shrinkage can be called dramatic. According to the findings of the Long-Term Commission's internal report, just the consequences of a "real zero growth equivalent to the 1981 level" are devastating. The report states that they will necessitate "large-scale discontinuance of Bundeswehr operations in 1983/1984 and/or reduction of the Bundeswehr's peace-time volume as early as 1983 and/or considerable interference in contractually fixed, parliament-approved appropriation projects, above all in 1983/84, and/or elimination of the requisite investments on periphery (supplementary equipment for large-scale systems--the editors) and ammunition."

It should be noted that according to the findings of the Commission all this will come to pass irrespective of the additional problems caused by the declining birth rate after 1987. The report adduces examples of the scope and significance of the long-term consequences up to the 1990's:

Provided there is real zero growth (rather than the present decline) of the defense expenditures on the 1981 level, the Federal Government will be confronted with the decision either to halve the army or the air force.

In order to maintain 36 adequately staffed and equipped army brigades, it would be necessary to "dissolve" all of the air force's short-range support units--i.e. three squadrons of 42 Alpha jets each--50 percent of the interceptor and reconnaissance units--i.e. two of four squadrons of approximately 85 Phantom aircraft each--and 25 percent of the six fighter-bomber squadrons that are to receive the "Tornado."

But if the Federal Government wants to maintain the air force at a level "approximating the present fighting strength," it would have to "dissolve" nine field army brigades and "cadre" another eight brigades, i.e. reduce their personnel to such an extent that they could be deployed only after an extended mobilization phase. Thus 50 percent of the field army would be unavailable for forward defense, which then would no longer be feasible, either.

Under these circumstances, the navy would have to dispense with one-third of its ships. All told, the Bundeswehr's peace-time strength would decline to below 400,000 troops. The January report states: "A higher peace-time volume, which in terms of manpower would on principle be feasible, would not be attainable for financial reasons, since both everyday operations and appropriate equipment must be maintained. In the event of 'real zero growth on the 1981 level', the possibilities given within the personnel-, equipment- and finance-related framework could not be utilized for financial reasons. Thus, in this case the financial leeway is the key factor."

In view of this situation, the following statement is not surprising: "Under the given conditions and in the event of real zero growth on the 1981 level, the Commission does not see how the Federal Government can in the 1990's meet its obligations in the alliance and how it can ensure its combat-readiness in terms of both

personnel and materiel." And so as to dispel any doubts as to what this means for the Federal Republic, the report states further: "In view of the probable development of the potential of the Warsaw Pact, the security policy-related interests of the Federal Republic would in such a case no longer be assured."

#### "The Danger of an Undercutting of the Nuclear Response"

In regard to the enumeration of the concrete consequences, one is struck by two statements: Firstly, the statement that for lack of strength the capability of integrated forward defense close to the border" would be "jeopardized"; secondly, the statement that the capability of launching the defense effort after an advance warning period of 48 hours (this is the key assumption underlying all NATO plans) would no longer be assured and that thus "the danger of an undercutting of the nuclear response" would increase.

What does this mean? In this context, "undercutting" signifies that the Commission wants to point to the danger that there may not even be sufficient time for obtaining the U.S. president's proper decision concerning the employment or nonemployment of nuclear weapons, before the home forces are overwhelmed and the integrated defense front is penetrated by the aggressor.

This statement is instructive, because it does away with the idea that there would be a relatively large time interval between the beginning of an attack by the East and the need for the West to decide on the employment of nuclear weapons--an interval during which extensive conventional defense efforts could be put forth. The time requirement that NATO considers the minimum for the release of nuclear weapons amounts to 24 to 36 hours between request and decision. So the fact that the Long-Term Commission warns against increasing the "danger of an undercutting of the nuclear response" shows the gravity of the problems confronting the Federal Government. Whether the allies would be prepared to join in the defense of the Federal Republic and to assume the risks involved is another--likewise necessary--question.

That in the event of a crisis the situation of the Federal Republic would be problematic even today--at a time when the Bundeswehr units are still fully staffed--is a fact known not only to the military. It is well-known to the Bundestag [Lower House] as well--at least to the members of the Defense Committee. The deputies know that in the event that the Warsaw Pact launches an attack after no more than 3 to 4 days of preparation, NATO would be very hard pressed. In Central Europe, it would have to pit approximately 20--not fully combat-ready--divisions against ca. 60 divisions of the aggressor. The parliament and the government are aware of this and of the ominous fact that in view of the lack of reserves the defense capability based on conventional weapons would in this case be limited even today to 3 days at best.

Undoubtedly, the present state of our external security--an integral part of which must be a credible deterrent capability--is anything but reassuring. A further erosion of our defense capability would be intolerable not only on account of the increasingly unfavorable distribution of forces between East and West, but also on account of the effects on the alliance and on its readiness to take action--if need be by the threat to employ nuclear weapons or by their actual employment.

Thus one may safely say that the decisions to be made by the government are decisive not only for the credibility of our defense preparedness. They also allow one to draw conclusions as to whether those in charge actually believe in the security concepts they proclaim and whether they take seriously the premises of these concepts.

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CSO: 3103/537

## VERTICAL SEA SPARROW FOR DUTCH NAVY

Kuala Lumpur ASIAN DEFENCE JOURNAL in English Jul 82 p 10

[Text]

The Royal Netherlands Navy has decided to adopt the vertical launch system for the SEA SPARROW surface-to-air missiles. The System will be installed onboard the 13th and 14th units of the 'KORTENAER' Class frigates, i.e. the two units ordered in addition to the twelve originally planned in order to replace the F-812 Pieter Florisz and the F-813 Witte De With which have been both sold to Greece.

These two frigates will replace the present eight-cell SEA SPARROW launcher and its associated automatic reloading system with 16 vertical launch tubes for the new RIM-7M version of the SEA SPARROW. At a latter date, the tubes will be increased to 32.

The two new frigates will be of the anti-aircraft version, with the helicopter hangar replaced by a single-arm MK. 13 launcher for Tartar/Standard missiles.

This way, the 'KORTENAER' Class will be composed of ten multi-purpose and two AA vessels, instead of 12 multi-purpose and one AA as originally planned.

The two Dutch frigates will probably be the first ships equipped with vertical launchers for SEA SPARROW missiles. The system has already been specified by the Canadian Navy for its future class of "Patrol Frigates", and it appears possible that a retrofit will be performed on the four 'IROQUOIS'-Class DDHs. Larger vertical launching systems, mainly to fire STANDARD (SA), TOMAHAWK and HARPOON (SS) and ASROC (ASW) missiles but also able to employ the SEA SPARROW by using appropriate "sub-calibre" devices, are planned for some classes of U.S. naval vessels, such as the 'IOWA'-Class battleships, the 'TICONDEROGA'-Class cruisers and the 'SPRUANCE'-Class destroyers.

CSO: 3120/72

## PRESENT, FUTURE ROLE OF NATURAL GAS IN ENERGY SUPPLY

Duesseldorf HANDELSBLATT in German 25 May 82 pp 35-36

[Article by Mathias Berger: "New Projects Only With Political Security and Competitiveness"]

[Text] As a clean-burning thermal energy that can replace heating oil in many areas of use, natural gas has all the prerequisites for playing an increasingly important role in supplying energy to the industrial nations in the next two decades. With this favorable outlook for the future, the International Energy Agency (IEA) of the OECD introduces its latest published study "Natural Gas--Prospects to 2000." The data and the facts show that the goal of the German and West European gas industry for a further effective contribution of natural gas to the energy supply is on solid ground.

According to Klaus Liesen, Essen Ruhrgas AG chief, six goals determine the further course:

1. Further develop and then stabilize the portion of natural gas in primary energy consumption. Thereby it is not expected, and from the standpoint of supply economics it is not considered desirable, to have natural gas supply more than one-fifth of total primary energy consumption. That is based on the consideration that in this magnitude the gas industry is in a position to maintain a balance supply structure, which includes effective diversification of import sources and a sufficiently great importance for the domestic natural gas industry.
2. One wants to increase natural gas sales continually in the household and small consumption sectors, and this is to be achieved mainly through the reduction in the importance of light heating oil in highly populated areas called for by energy policy. That is an area in which especially the limited environmental effects in the use and in the underground transportation of natural gas come into play.
3. Through technical improvements and innovations (gas heat pump) the rational use of gas by the consumer should be further improved, thus strengthening the competitiveness of gas.

4. With further diversification of natural gas sources, additional supplier countries should be included in the palette, to the extent that they can be considered reliable and especially as contractually dependable suppliers with acceptable technical and economic risks for the project under consideration.

5. The international natural gas trade will be further developed in order to mobilize additional resources for Western Europe. The basis is mutual trust between exporting and importing countries on the reliability of final agreements and a balanced sharing of interests and risks between partners in the international natural gas trade.

6. Cooperation with the gas industries of the other European countries is to be further developed with the effect of a further strengthening of the West European natural gas network and more opportunities for risk sharing and diversification between the West European natural-gas-importing countries.

On the other hand, although under the present trend natural gas is declining in certain industrial distribution areas--especially in the area of power plants--on the other hand, it is certainly obvious that, with the increased trend to providing heating to households and businesses, as well as in industrial production, in the middle and long term this energy source is undergoing qualitative growth.

With a total of 16 percent of the 1981 primary energy consumption, with consumption of about 59 million tons in hard coal units, natural gas is already providing 19 percent of the heating requirements for dwellings, businesses, administrative buildings and public installations. Every fifth to fourth FRG dwelling, 5.6 million altogether, is now heated with natural gas; in 1981 alone, 250,000 dwellings were added, which--with a simultaneous increase in natural gas consumption in the entire "heating and cooling sector"--emphasizes the attractiveness, as well as the competitiveness of natural gas in this area of consumption. And also in ultimate energy consumption--in 1981, gas met 26 percent of industrial requirements--whereby demand in the area of industrial production is constant.

That represents significant portions of the heating market, where, especially in the last decade, natural gas has tended to supersede heating oil in particular and thus supports our country's central goals in energy policy;

--With a substantial base of domestic production (now about one-third of the yield), with a supply about 80 percent based on West European sources and with supply sources that as a whole are not identical to our large oil suppliers, natural gas contributes to improving the security of the total energy supply. Compared with oil supplies it is a clearly diversified energy source in which capital-intensive transportation systems provide considerably stronger ties between supplier and consumer countries than is possible in the case of other energy imports.

--Although it is an imported energy, natural gas provides substantial relief for our balance of payments when contrasted with oil imports. For one thing, a cubic meter of natural gas at the German border is considerably less

expensive--1981: 40 percent--than imported crude oil. This is because transportation and distribution of natural gas from the source to the consumer are, on account of the pipeline, considerably more expensive than for oil, including the cost of conversion to heating oil. But since natural gas can come from foreign (or domestic) sources only when the consumer finds it competitive as compared with heating oil, natural gas must be cheaper at the border than oil.

Also, we have imported natural gas from so-called "high-absorber" countries that use the receipts from natural gas exports to buy German economic goods. That is a demand upon which our export-oriented country--one out of every four or five jobs in the FRG depends on exports--is dependent.

--Underground transport by pipeline and clean burning make natural gas the energy form that is relatively "safest for the environment" between the source and the consumer. Environmental stress to cities, countrysides and forests, especially on account of carbon dioxide emissions, are substantially decreased when homes, factories and administrative buildings are heated with natural gas. That is a viewpoint that is also important in the case of industrial development in polluted areas.

--The direct use of the primary energy natural gas for heating is--with an exploitation coefficient of about 90 percent--the most rational energy use, because, in contrast to the use of secondary energies, there are no conversion losses.

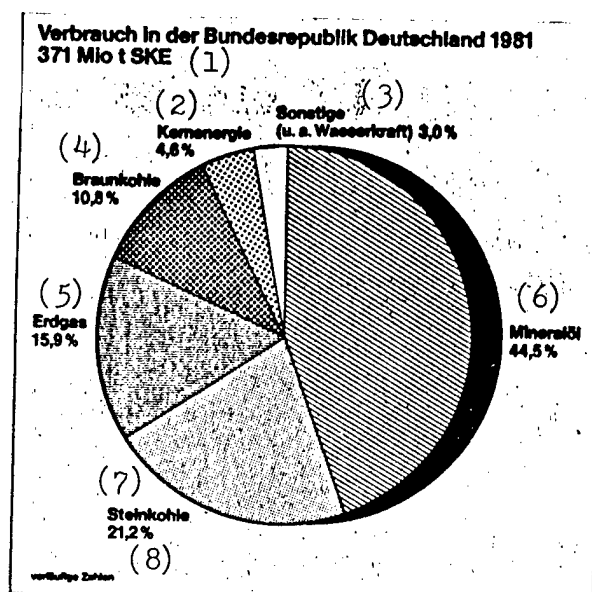
The efficiency of natural gas use is substantially increased through energy-saving heating systems, whose development and use is being pushed by the gas industry: Through gas heat pumps, block-heating power plants and gas heat centers, which bring economic advantages both for energy consumers and for the pursuance of a significant energy policy goal of our country, that of economic energy use. The benefits--without resorting to state subsidies or administrative measures, as, for example, they are required and employed in the intensive development of long-distance heating--outweigh costs in both the short and the long term.

It is cheaper and more energy-efficient, as well as better for the environment and at least as safe, to supply a ton of energy--for example, from the Norwegian North Sea--in the form of natural gas than to waste millions or even billions in our tax receipts to produce a ton of useful energy as long-distance heating.

The gas industry will also fulfill its functions in the further course of its growth in the framework of control of our energy supply through the market economy:

--The basis is in substantial, already firmly contracted natural gas quantities under economically reasonable conditions, which make possible a further increase in the supply level, whereby the "medium line" seen by the natural gas companies in procurement policy between maximum and minimum expected future consumption based on an efficient gas infrastructure will also help to put this energy branch in a position to meet the heating-market requirements.

Economically reasonable and justifiable deliveries come from widely scattered supply regions with a clear West European focal point for the future as well. Supporting this are large worldwide natural gas resources, which will run out after oil resources, and which are considered to be the energy potential easiest to exploit with the least environmental damage.



Key:

- |                                                             |                        |
|-------------------------------------------------------------|------------------------|
| 1. 1981 FRG consumption<br>371 million tons hard coal units | 5. Natural gas         |
| 2. Nuclear energy                                           | 6. Petroleum           |
| 3. Other                                                    | 7. Hard coal           |
| 4. Brown coal                                               | 8. Preliminary figures |

--The duration of just the currently proven natural gas reserves in relation to 1980 world natural gas production (1.9 billion tons in hard coal units) is 50 years. Thus, natural gas reserves will last more than one and a half times as long as the now known oil reserves (about 30 years). In addition, there are--statistically--at least another "100 natural gas years" based on worldwide resources already counted on by geologists. And the distribution of resources shows that Western Europe is in a favorable position to fulfill the demanding goals of the gas industry.

--The prerequisites for the German gas industry, as a respected natural gas trading partner in the world and in a solid union with the gas industries of the Western European continent, to be able to secure further supply projects for the 1990's and beyond are favorable enough to meet about one-fifth of long-term energy needs, and also to compensate for supply contracts expiring in the 1990's. In the next phase in developing new supply projects, it may be that, in addition to the supply regions reached by pipeline in the North Sea, the USSR and possibly North Africa as well, natural gas supplies in liquified

form (LNG) brought by tanker will clearly gain in importance, along with the associated substantial investment necessary in tankers and other LNG installations: In order to link the German natural gas supply system to resources in Canada (now under study), certain regions in Africa and the Gulf region.

New supply projects are by no means alternatives to supplies already contractually fixed, and also not to the new natural gas project with the USSR. In this constellation of supply factors--from the supply volume, the time period of deliveries, as well as the efficiency--there is no comparable project available from any other natural gas source in the world. Not in the Norwegian North Sea, not in Algeria and not in Canada or any other region.

The planned deliveries from the new natural gas project from western Siberia to Western Europe alone are equivalent to two-thirds of the volume of proven recoverable Norwegian natural gas reserves. Beginning in 1984, the USSR/West Europe project will deliver about 30 to 40 billion cubic meters of natural gas increasing annually. That is equivalent, for example, to replacing 23 to 30 million tons of OPEC oil. It seems unrealistic that Norway could commit practically the largest portion of its reserves in a single large natural gas project.

Correspondingly, in a recent interview the new Conservative Norwegian energy minister, Vidkunn Hveding, saw his country's resources as a stable supplement in the long term for the widely dispersed continental natural gas sources, including those of the USSR, and not as their replacement. After the continent has incorporated the new volume of Soviet gas deliveries, according to Hveding, "Norwegian gas could be to the point where it can provide the next additional contribution to supplying Europe with gas."

In fact, for the further development of the natural gas supply between the North Sea and the Alps, where it already contributes 16 percent, and especially in substituting for heating oil in the heating market, for a long time Norway will be a growing stable base of the German natural gas supply principally based on West European sources. In this framework after the 1990's it could gradually replace deliveries from another large West European source, the Netherlands.

In regard to the often-rumored but nonexistent alternative, Algeria: Five times altogether between 1972 and 1978 the Algerian state corporation Sonatrach entered into delivery contracts with German natural gas import companies. And just as many times Algeria saw itself unable to fulfill its contractual obligations.

All of a sudden the economic conditions negotiated in this deal, which, by the way, Norway and the Netherlands and the USSR reliably adhere to, are also no longer valid: Now a price is being demanded that will make the sale of this natural gas in the FRG under competitive conditions impossible, and that would cost the German gas industry and probably German consumers as well DM 1 billion more annually than the gas project with the Russians.

Also demanded is an abandonment of the previously valid basic rules for risk sharing between exporters and importers in the international natural gas trade. As the Algerians see it, German customers must assume investment and operating risks amounting to more than 80 percent of total investments. Thus, for the life of the contract they would be subject to the exporter's dictate, a price dictate with which the Algerians are presently giving the Italian gas industry some unpleasant experiences.

If the "natural gas source Algeria" is to be more than a vision of the future for the German energy supply, then the necessary foundation for such a supply project must be recognizable for German gas suppliers: Above all confidence in contract and delivery reliability, but also a competitive market price and an appropriate sharing of risks.

Unless Algeria completes this step at once, for the next decade as well natural gas from the Sahara could be no more than a vision for the German supply. By the way, the same thing applies to the unrealistic--economically at least--equally transparent in its aim and seemingly utopian, at least in this century, idea of shipping natural gas from Alaska to the German North Sea coast in submarines.

Thoughts of mobilizing further natural gas resources for our country as an alternative to oil should be under the precondition that such projects are economical, that is, that they can be carried out under competitive conditions for the German heating market.

9746

CSO: 3103/501

## OFFSHORE DRILLING ACTIVITIES FOR NATURAL GAS

Bonn RHEINISCHER MERKUR/CHRIST UND WELT in German 11 Jun 82 p 13

[Article by Harald Steinert: "Energy Beyond the Dikes: Lucky Dutch--Offshore Drillings Discover Gas and Oil"]

[Text] Offshore Drillings Near the Coast of Holland Seem More Profitable Than in the German North Sea Sector Which Brought Nothing to Date.

While England and Norway are having spectacular success in their offshore areas and are basking in the reputation of modern "oil sheiks," while Denmark is struggling ahead in its offshore sector with great efforts, and while drillings failing by the dozen are becoming ever more costly to the Federal Republic of Germany, Holland has quietly developed remarkable offshore activities which have already resulted in visible success.

The Dutch do not talk much about these activities and quietly enjoy their offshore treasures, which are not all that small. Even now, Holland produces in its offshore region about 12 billion m<sup>3</sup>, which constitutes about 13 to 14 percent of its total natural gas production.

The Federal Republic of Germany at present has a total production of about 21 billion m<sup>3</sup>, nothing so far from the offshore area. A modest production from tideland drilling at the mouth of the Ems River is only starting up. The Dutch natural gas production is almost half as large as that of Norway, and one-third of that of Great Britain. The extent of gas production will not stop there, and it will not stop at natural gas production only: several promising petroleum deposits have been discovered, and are being developed in part. In the very near future, Holland also will be able to start with offshore petroleum production.

How intensive the country's offshore activities are, can be seen from the intensity of drilling. In the first three quarters of 1981, 40 offshore drillings were carried out or begun in the Dutch sector of the North Sea--as many as in the Norwegian part of the North Sea (40), excluding the area north of the 62nd parallel. England, with 103 drillings, is clearly at the top. In the Danish sector, five drillings were carried out during this period, in the West German sector (during a period of relatively high activity) only three.

This comparison of technical drilling activities does not reflect, however, the amounts invested in drilling: relatively speaking, they are decidedly much lower in the Netherlands than the number of drillings indicate. The water in the Dutch sector is not very deep. The drilling is carried out mostly at a depth of 20 and 30 meters, and jack-up drilling platforms can be utilized everywhere. Drilling activities in the British and Norwegian sectors at present take place at a water depth of about 100 meters or more, so that they must work with the much more expensive free-floating semi-submersible floating platform. In the Dutch sector, three jack-up drilling platforms of the "Transocean-group" are constantly in use, half of the group being owned by German firms.

At the moment, emphasis of the development is on the Dutch natural gas fields. At present, eight fields with not very high capacity are in production. Two pipeline systems already exist: one leads from the relatively large field K 13 (Pennzoil) at the border of the British sector to Den Helder and, through a branch line, collects the gas from one of the NAM-group fields. The second pipeline collects the gas from the fields in the sectors of Placid and Petroland (North gas transport system).

But further natural gas finds are known, and their development is imminent, or at least will not be postponed for very long. So far, development of the field "L 4" of Petroland has progressed furthest, where the hauling platform is already installed. The field will probably be connected up to the North Pipeline system. This deposit will increase Holland's offshore gas production by about one billion  $m^3$  annually. Production is to begin in fall of 1982.

The Dutch offshore gas development enjoys intensive utilization--essentially, it probably comes from the same formations as the Groningen gas field, i.e., from "Lower Permian (shale) sandstone," and from the degassing of the bituminous coal deposits which stretch underground from the Netherlands to England. They can also count on firm prices. The Netherlands want to exploit their offshore fields as thoroughly as possible, in order to save the onshore natural gas of Groningen for supplying the country until the middle of the next millenium. It is hoped that during the next two decades, about one trillion  $m^3$  of natural gas will be developed to maintain production until the year 2020 (at present, about 80 billion  $m^3$  annually), without lowering the Groningen [gas] reserves below their present level of approximately 1.7 trillion  $m^3$ . The largest possible portion is to come from new finds in the offshore area. It is also hoped that at least 40 additional drillings annually will be carried out.

The offshore oil development in the Netherlands has not been noticeably successful, compared to natural gas. The first production from the "Helm" field, to the West of Den Helder, will begin only this year. It is not yet clear how high the production level will be--but it should definitely contribute noticeably to an increase of the country's present onshore production of 1.6 million tons annually. The reserves are estimated at from 5 to 20 million tons. Two additional oilfields have been discovered, but their production will begin only in the second half of the 1980's. Further oil discoveries came to light in 1981, in part also in the Helder sector.

Of greater significance may be a drilling by 'Conoco,' whose production test supplied a good, light oil, at a daily production level of about 950 tons (6,425 barrels). This is a remarkable high production for the Northwest European petroleum area (of which the fields of Hannover and the Emsland are a part). This drilling is the best so far in the Dutch offshore region. The reserves of this new discovery are estimated at 15 to 20 million tons. With this, the crude oil reserves discovered in the Dutch offshore area rise to approximately 60 to 100 million tons, which would about equal the present reserves of the Federal Republic of Germany.

It would be surprising if further exploration of the Dutch North Sea sector were not to open up additional, large crude oil reserves. Until now, only half of the total area has been leased out, and of that, only a small portion is actually being worked.

9917

CSO: 3103/554

## MARTENS SEES FAVORABLE ECONOMIC DEVELOPMENT

Brussels KNACK in Dutch 30 Jun 82 pp 22-24

[Interview with Wilfried Martens by Frans Verleyen and Johan Struye]

[Text] With one foot in the stirrup to go on vacation, the Belgians are making up their balance sheets. The prime minister's invincible and contagious passion for governing fits neatly between Leo Tindemans's balance sheet covering 6 months in the European chairmanship and Karel Van Mierts's look back at 6 months in the opposition. On the Flemish television Sunday [27 June] Wilfried Martens seemed to be basking in the encouragement of favorable figures, but not an hour later Guy Spitaels was filling the Walloon screen with nothing but damnation, ruin, and misery.

Wilfried Martens: Guy Spitaels is now really the last of the socialist Mohicans. Polemically speaking, I can imagine his shoes are tight, now that even the French socialists have cut loose. With their options the Walloon socialists are now alone, completely *alone* on this continent.

[Question] Maystadt, your minister of the budget, told us that it was not all the fault of the socialists. We all made mistakes together in the 1970's.

Martens: This is not a presidential régime. The ministers' individual responsibility is real. Whether they run their ministry *well* or *badly* does make a significant difference. Gradually the realization has penetrated that we must choose a policy that is in some degree in step with that of our European partners. The Maastricht summit meeting in March 1981 was the turning point. For the Italians, too, who are now in the throes of catharsis. That there are a number of things that you cannot sustain endlessly has now become clear in France, too. Last year we were asked whether we were ready to break through some of our taboos, such as indexing and the currency, for example, and the feudalities that prevailed in this country. One complication for us was that it has always been impressed upon us that we could not cut back on anything without the risk of social agitation, with the danger of different reactions in Flanders and Wallonia and the consequent splitting apart of the country. That has paralyzed successive governments. The question of guilt is thus of less importance than the question whether the political movements and parties are willing to take part in a changed policy.

[Question] The public hears only favorable developments in the figures from you, and no doubt those developments are there. But in the spring the Planning Bureau saw unemployment climb to 600,000.

Martens: Suppose we *do not* go any further with our recovery measures. The rewon competitiveness of Belgian firms must, however, be consolidated in 1983 and 1984. So what do we do with incomes in 1983? The job is to get a wage-evolution that is comparable to that of our seven principal partners. According to the OECD and the EC, they are facing an average income growth of 7.1 percent. In Belgium the increase in the cost of living is estimated at 8.5 percent. Moreover, there will be an overflow from the measures taken in 1982, for there will be no maneuver to gain back the amounts sacrificed then. The reduction in the growth of the amount of wages in 1983 due to the measures taken in 1982 will amount to 2.2 percent. When you view the figures that way you see that an extension of the central agreement (no real-wage increase and no shortening of the work week at the expense of the firms) will give us a little play, enough so that there can be real negotiations in September. I will not be going into the wage negotiations bound hand and foot, and I will not need to present a catastrophic policy. We can, for example, carry out a real-wage rise without indexing, or else a system of indexing, but in that case without real-wage increases. I do not know what will happen, for precisely that will be the subject of the negotiations. But the restraint on incomes will no longer have to be so drastic in 1983. And if no agreement is reached, we have special authority up to 31 December to set wages ourselves.

[Question] On top of the 154 billion francs support to the firms in 1981, according to some you have organized a transfer of 140 billion in 1982 for the benefit of the firms. Are you not afraid that the expected social dividend on that may not come in right away?

Martens: These sacrifices have been in effect here for *only* 3 months. Your question is whether the decisions that we reach on the fruits of the restraint will be carried out? That fruit *in the first place* stays in the firms, where *in the second place* it must be entered in the books as such. It can only be used for three purposes; investing, hiring, or reducing the price. Every 3 months the council of employers or the union delegation for the purpose must be informed about it, plus a special office of the Ministry of Economic Affairs. Except for a few administrative decisions, including the form of the wording, that organic decision is functioning. So when Willy Claes talks about perverse investments abroad, they have occurred in conflict with the regulations and so are punishable.

[Question] Looking at Dehaene, Maystadt, Martens, and others, you sometimes have the impression that the wrong actors are putting on the play. That not every politician can be the bearer of any tidings at all. Would you not have done better to let the liberals boil that pot themselves?

Martens: What about the French government, of socialists and communists? For a year they have used a Keynesian recipe, relying on their big domestic market. But it is not the French economy that has profited by that, but rather imports. All that is not a question of conviction, for they are now turning their car around and following our example. When the economy was on the rise, Dehaene,

Maystadt, and the rest were naturally occupied with other topics. The consumer society was brought into question, the political debate concerned the culture of the century and the political institutions. But now it concerns the sub-structure, the bottom stratum. Now crisis is breaking out everywhere: in the municipalities, the parastatals, social security, the universities. Everywhere, in everything, everybody is now at last compelled to reorganize. It is therefore bad when somebody like Galle represents things as if the financial problems of the Flemish communities were already solved if only the state fulfilled its obligations. That is only partially correct. The state has indeed often turned the proper revenues over to the municipalities too late in the past, but we will change that. We are becoming a good payer. But that will not solve their problems to the last franc. Why must teachers in state schools be better paid than those in private academies?

[Question] Does the Martens of IV, III, II, and I not object to your putting your signature on the taxation of pensioners?

Martens: But nothing has been done to incomes under 28,000 francs, in contrast to France, the Netherlands, and Germany. Last year I resigned because I was not being followed. I would not have come back if there had not been agreement to take the action that I had proposed. My party and the Christian labor movement worked out the JET\* plan, which is the basis of the present government policy. During the campaign last year I declared every evening: if there is anybody that has no difficulties with that plan, I am the one.

[Question] Does it not bother you that you have to live from day to day at the mercy of the ACV? That it accepts your policy for want of an alternative, and gives you room to pursue it under its conditions?

Martens: The previous policy had produced no result whatever, and the ACV knows that better than anybody else. It is evident that the Christian labor movement is now resigned to a great effort. It not only makes its ideas known through its people in parliament, the government, and the wage negotiations; it also participates actively. But from my side I also realize that such an important organization, with sectors such as its Wallonian wing, or the teachers' and state employees' unions, which do not want to get involved on behalf of my policy, also wishes to avoid an internal split.

[Question] Does the government never get a similar signal of careful, discreet cooperation from the socialist trade union movement?

Martens: In the wage negotiations they behaved with special discretion. Among the representatives of the ABVV [Belgian General Federation of Labor] there has certainly been no lack of signs of a sense of responsibility.

[Question] Is an overhaul of the social security structures on the program now?

Martens: Before 1982 we brought about a balance between expenditures and receipts. We had to dip into the reserves for the purpose, of course. Of the 40 billion francs needed, 30 billion are coming from savings and 10 billion from the reserves. Naturally that cannot be done again in 1983.

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\*Youth, Economy, Future.

[Question] But your Flemish Liberal partner does not seem to have much interest in a fundamental reform.

Martens: But I have the coalition agreement. It says financial balance, *with* protection of the essential principles of social security. Period. Plain enough.

[Question] Are you awaiting the October elections nervously?

Martens: The socialists are; I am not. In the majority we have agreed that we will not let ourselves be influenced, but I am realistic enough. If one of us four experiences a catastrophe, that will naturally have its influence. But my view of the prospects is that the result for the Christian Democrats cannot be worse than on 8 November, and that it must be normal for the Liberals.

[Question] The VBO [Federation of Belgian Enterprises] has let it be known that the deficit in the 1983 budget must not go above the 175 billion francs that the state should be able to borrow domestically.

Martens: I have no comment to make on the net balance to be financed for the coming year. What we have decided upon in the government is a limit of 7.5 percent on the increase in expenditures. Applied to the 1.416 billion francs this year, that gives a maximum of 105 billion. To know the net balance to be financed you first have to know the receipts. I expect a real figure from the minister of finance. You get the balance to be financed automatically from that. That is an entirely different standard from the one that the VBO wants to apply.

[Question] You always seem to prefer a budget philology of expenditures and not of receipts.

Martens: On 7 March we set up a 3-year program for that. A permissible increase in expenses of 7.5 percent in 1983, including the burden of debt. In 1982 the debt will amount to 301 billion francs, while an increase of 60 billion is expected for 1983. Thus we can do *nothing* about that; repayments and interest must be paid according to the contracts. In the best case we shall try to convert short-term debts into long-term ones by so-called jumbo loans. To me the 361 billion francs for next year is a hallucinatory figure; that is more than the 325 billion we are paying out this year in interventions in social security. With an expected inflation of 8.5 percent in 1983, we shall thus be *below* zero growth with our permissible 7.5 percent increase in expenditures. If of the 105 billion franc increase in the budget some 60 billion is swallowed up by interest, it is clear that not every ministry can get even 7.5 percent more funds out of the 45 billion francs we have left. But this is necessary. In earlier years the deficit has doubled each time: 70 billion, then 140 billion, and finally 280 billion. That we have stopped and stabilized the deficit is a tremendous accomplishment. In 1984 and 1985 we shall limit the permissible increase in expenditures to 6.5 percent. And that figure must then eventually bring us back to the European average deficit of round about 7 percent of the GNP. In any case we know that revenues will improve in 1983, as they are doing now. If you do not put a brake on expenditures, you give little impression of seriousness. That is more important than

defining a net balance to be financed of so many billion, for in that case, with the growth of revenues, you would start on a policy of laxity. Now the good sense of our special powers is precisely that we can take measures to make our figures come true. There is a chance to get out of the morass, since economic and wage developments partly determine the state of the budget. The running budget problem cannot be fundamentally solved without a new economic growth. We must therefore create the conditions for that new growth.

[Question] No Belgian believes that you can force the deficit for the coming year down to your proposed 252 billion francs.

Martens: I never indulge in hoaxes; I work on the numerical data. The real figures for the first months of this year contain no indication thus far that the budget was underestimated. According to my people there is an 8.4 percent increase in receipts due to the market upswing. We have the current expenditures in hand; that is what the trainloads of reorganization measures are directed toward. The big problem we have on our hands now, however, is the increasing weight of the so-called debudgetized sector. We are now feeling the full weight of the burdens of the funds. The ministries of Public Works and Economic Affairs are debt operations because we have permitted ourselves an infrastructure and national sectors that cannot be immediately financed with credits, but must be financed by borrowing to set up funds, the burdens of which must then be written into the budgets of coming years. We shall see at the autopsy.

[Question] Why is Maystadt getting so nervous? He cannot draw up a real budget before the fall, he says.

Martens: His reaction has been that of a *good* minister of the budget. He does not want to be left behind during the vacation with a pile of numbers on paper, as in last year's circus, but he wants the decisions to be made, too, possibly by virtue of the special powers, to make those figures *a reality*. No minister is going straight from here to Acapulco before it has been established what the overall amounts are of the expenditures and the receipts, what the net balance to be financed will be, and what the expenditures are per ministry.

[Question] Has the CVP now finally adopted a new and clearer position in regard to the missiles, now that it is too late? Are you going to decide on the installation this month?

Martens: This week we are making an evaluation in the government of the discussions in Geneva, but that does not mean in any sense that we are deciding in favor of placement of missiles in Belgium. The negotiations have not been going on long enough for that yet.

8815

CSO: 3105/192

## RESULTS OF SIX-MONTH AUSTERITY PROGRAM ASSESSED

Zuerich NEUE ZUERCHER ZEITUNG in German 24 Jun 82 pp 13, 14

[Article by T.H.]

[Text] Brussels, 22 June--The Belgian minister for economic affairs, Eyskens, has now been heard from in the discussion of the economic accomplishments of that country's government. With his evaluation of results to date and indication of the future activity of the Martens government, he was seeking to exert some influence on assessments being made in the Belgian media after 6 months of austerity policy.

There was no question in the public's mind of an improvement in the Belgian economy's competitive position in international trade. Using comparative wage cost data as the standard, as the economics ministry did, then the country's 10 most important trading partners (West Germany, Denmark, France, Italy, the Netherlands, Great Britain, Japan, Austria, Sweden, the United States) with an average wage cost of 84.4 in 1981 ranked significantly lower than Belgium's 100.0. This ratio has decreased; just before the recent European Monetary System's major currency readjustment, the wage costs of the Ten had risen to an average of 94.4. West Germany, with a wage cost of 106.4, and the Netherlands 102.9, as well as a number of other countries, were already higher than the Belgian norm. The fact that France, with a cost of 85.8, would have to hold a far better competitive position, is an indication that wage cost comparison is of relatively little value in assessing national economic competitiveness.

Belgium's inflation rate has continued to rise; in June it showed an annual rate of 9.8 percent; by October, according to Eyskens, it should climb to 11.0 percent, where during 1981 it stood at 7.6 percent. The economics minister's assertion that the present trend is still within the predicted range is probably small comfort. The government is playing down the effects of the February devaluation of the Belgian franc upon the level of prices. But, on the other hand, since prices for domestically produced goods have been controlled and can only be increased with government approval, the question arises as to the causes of the higher inflation rate. Eyskens attributed the unfavorable trend primarily to increases in the price of oil products and announced discussions with oil producers and processors which, as he emphasized, could become more competitive with each other.

If the three EMS currency realignments since 5 October 1981--two upward revaluations of the guilder and the German mark as well as a devaluation of the Belgian franc in February of this year--are added together, then Belgian exports to the Netherlands and to West Germany have decreased in price by 17 percent, while the price of imports has gone up by 20 percent. The actual reaction of foreign trade, however, cannot be precisely calculated. In the first quarter of this year the foreign trade deficit stood at 77 billion Belgian francs. While this was 20 percent less than in the comparable period of the year before, the balance of trade in the last 4 months of last year was practically at equilibrium. Whether the devaluation of the currency had a stimulating effect cannot yet be determined since the latest available figures date only from February. This month the seasonally adjusted index of industrial production declined again with the result that the January increase was balanced out and the value for the first 2 months reverted to the level of the same period of the year before.

Of the various economic indicators available, the only one which indicates a more favorable trend is that of the National Bank, which is based upon data supplied by industry. The ministry of economics assumes that the economic upswing expected for the second half of the year will not make itself felt until the end of the year at the earliest. Despite the drastic cutbacks in the areas of social expenditure and education, the government is still far from its self-imposed goal of reducing government indebtedness. The level of new indebtedness fell during the past 2 months when compared to the same period last year, though if the present tempo continues, the new indebtedness target of 423 Belgian francs will be exceeded by some 80 billion and will surpass last year's increase of 475 billion francs. Prime Minister Martens, in his most recent address to Parliament, announced that his government will effect a real reduction in government expenditure during the coming year. The rough guidelines for the 1983 budget are supposed to be presented before the summer parliamentary recess in order to keep the budget discussion between the Christian Democrat and Liberal coalition parties out of the confrontations expected during the local election campaigns in October.

Martens announced the continuation of wage controls. Even now the elimination of wage indexing and the cuts on various transfer payments have made themselves felt in the loss of income among private households, amounting to 4.1 percent for 1982. One immediate consequence of this is a marked decline in demand. The government has not yet taken any position on this development; it is equally at a loss in dealing with the unchecked rise in unemployment. The unemployment rate is at present 10.7 percent; Minister Eyskens said only that, in all honesty, a further increase would have to be anticipated.

9878  
CSO: 3103/538

## TFSC INCOME TAX BILL TRIGGERS BATTLE

## Denktas Rejection of Bill Sparks Battle

Nicosia HALKIN SESI in Turkish 21 Jun 82 p 1

[Text] Nicosia--TFSC President Rauf Denktas has vetoed the Income Tax Law and has returned it to the Assembly together with his reasons for rejecting it. His action was received with approval among the Turkish Cypriot community.

Noting that President Denktas' reasons of rejection touched upon very important points, citizens stated that they were saddened to see the Assembly enact a law with so many shortcomings.

Stating that the points Denktas has drawn attention to are very important and fundamental for the development of the community's economy, various circles expressed surprise at the fact that the Assembly has passed a "faulty bill which undermines our economic development and which deals a severe blow to trade."

Citizens from all walks of life who visited our offices yesterday expressed their approval of the rejection of the Income Tax Law which was passed by the Assembly as hastily as smuggling goods through customs. The citizens said:

"The law contained many defective clauses. If these clauses are not examined and analyzed well, the law cannot serve the interests of the community. Heavy taxes on property have not been seen anywhere in the world. Taxation for a second time of income which has already been taxed and immovable property which has been inherited will not only be a great injustice, but it will jeopardize the principle of freedom of property, which is one of the building blocks of democracy. It is unjust to make the government a partner in the property of a citizen by taxing him for a second time whenever he wants to sell a piece of immovable property bought by income for which he has already paid taxes."

Citizens also stated that the new law also restricts the mobility of the trade sector and that the undermining of the private sector is not a pleasing phenomenon.

The citizens also said that they still do not understand how a law that curbs economic development and works to the detriment of the whole community could pass through the Assembly.

## Denktas Explains Reasons for Rejection

Nicosia HALKIN SESI in Turkish 22 Jun 82 p 1

[Text] Nicosia--TFSC President Rauf Denktas said that his decision to veto the Income Tax Law was not based on the fact that the law exempted the minimum wage, seniority compensation and income up to 270,000 Turkish liras a year from taxes.

Responding to a statement issued yesterday by Ismet Kotak, Minister of Industry and Cooperatives and leader of the Democratic People's Party, Denktas answered questions by journalists. Noting that he had no differences with the authors of the law on the tax-exemption of the minimum wage, seniority compensation and income up to 270,000 Turkish liras a year, Denktas said: "No one opposes the the taxation of real estate speculators and tax evaders."

Denktas said that describing the authority who rejected the law as being against justice in taxation and pro-capital contravenes the principle of freedom of thought and conscience in a democratic system. Denktas continued:

"Those who have made it their goal to annihilate the private sector by branding it as 'capitalist' may see the rejection of the Income Tax Law as ammunition that can be used against us.

"These attacks cannot prevent us from performing our duties as we find it proper.

"The Tax Law contains loopholes, sections which are open to interpretation and clauses which burden the people with red tape. They can be corrected speedily if they are studied in good will. This was the reason the law was returned to the Assembly.

"Now, the task is the review of the law in the Assembly. The Assembly may choose to leave the law as it is, or it may amend parts of the law. That is up to the Assembly.

"Calling on everybody to resign and creating a government crisis just because the President--using his constitutional powers--has asked the Assembly to review the law is not a natural consequence of the veto process.

"Our laws clearly specify the conditions under which a referendum may be held. The government reserves the right of submitting the law to a referendum.

"Before rejecting the Tax Law I talked to all the experts concerned with the issue. I determined all the doubts expressed in connection with the law. Given these doubts, the evident loopholes in the law and the obvious results that would ensue if the clauses on land were kept as they were, I had no choice but to return the law to the Assembly. Now, the Assembly will do whatever is proper. The people must know about this so that they will not be misled by arguments to the effect that a law 'exempting the minimum wage from taxes' was rejected.

"The Honorable Kotak notes that I was present at meetings held with delegations from Turkey. The Tax Law was not discussed in detail during these meetings.

The delegation was told that the changes in the Tax Law will not cause a loss of tax revenue, but the changes were not specified. The law then went to the Assembly commission concerned and the commission made the necessary changes. The presidential review of the law comes after the passage of the law by the Assembly. The return of the bill to the Assembly is part of this process. This has been done. Now the Assembly will perform its function. It is hard to understand why the Honorable Kotak is so upset."

#### Split on Bill With Council of Ministers

Nicosia BOZKURT in Turkish 24 Jun 82 p 1

[Text] Nicosia--The Council of Ministers discussed at its meeting yesterday the memorandum issued by President Rauf Denktas on 18 June 1982 in connection with his return of the Income Tax Law to the TFSC Assembly Presidency and his reasons for that action. The following statement was issued after the meeting:

"The Council of Ministers will do whatever is necessary to see that this bill, which has been sent back to the Assembly, is expeditiously approved in accordance with the internal regulations, formalities and established procedures of the Assembly and in the light of the reasons for which it was vetoed and is enacted into law. The Council will issue a statement on its action on this issue at a proper time.

"The Council of Ministers also reviewed the President's responses to the questions of the TAK [Turkish News Agency in Cyprus] correspondent on 19 June 1982. The conclusions the President conveyed to the public as his opinions and decisions were given sensitive consideration, and it was decided to explain the following points to our public:

"The Income Tax Draft Bill was approved on 4 January 1975 by the administration of the time and submitted to the Assembly. The clauses of the Income Tax Law just returned to the Assembly are, in general, very similar to the clauses of the Income Tax Draft Bill which has been before the Assembly since 27 October 1978.

"The government's view in connection with the Income Tax Law approved by the Assembly on 2 June 1982 was conveyed to the President in an Economy and Finance Ministry memorandum dated 7 June 1982 and a Prime Ministry memorandum (No BB/26/8) dated 14 June 1982.

"The President's decision to return the bill to the Assembly in accordance with powers vested in his office by the Constitution is based on factors that were allegedly determined outside the government's viewpoint. Whether the community will evaluate these factors as beneficial to its interests will depend on whether the government has an opinion in connection with these factors put forth by certain individuals, experts and institutions outside the government.

"In his statement to the public, the President has described the government's stance as being of a nature that could shake the foundations of the state and the concept of ownership of property which represents justice. He has also

concluded that the Tax Law would increase the tax burden on landowners living within municipal borders and thus would deprive the people from land ownership within a few generations. These views of his can be interpreted as being untrue and of a nature that could humiliate the government before the eyes of the public.

"The government's decisions are taken on the basis of a realistic evaluation of the conditions of the community and with the belief that they serve the interests of the community. All government implementations also have these goals in mind. The government will evaluate in a manner that will serve the interests of the community the reasons given by the President for rejecting the Income Tax Law. The government will then find the opportunity to include its conclusions in the review of the law in the Assembly. Statements on this issue will be made in the next few days."

9588

CSO: 4654/368

## PROVISIONS OF REVENUE TAX BILL OUTLINED

Nicosia HALKIN SESI in Turkish 28 May 82 p 1

[Text] The Turkish Cypriot Chamber of Commerce has declared that the revenue tax bill under discussion in the Supreme Assembly is of very great importance because of the direct effects it will have upon the social and economic life of society.

For this reason it noted that it sincerely expected that all deputies would show the requisite sensitivity in the matter of enacting the bill as far as possible without mistakes.

## Must Not Victimize

In the chamber's statement, which stressed that above all paying taxes to the state is a sacred civic duty, it was said, "Taxes, however, must never be viewed as a means to cover every deficit in the state budget through a series of compulsory measures which do not consider economic criteria and social realities. What is important is to observe a tax policy which will not victimize low-income citizens, which will not restrain economic activity, and which will not encourage our countrymen to illegal activities and tax fraud."

## Individual Fraud

In the chamber's statement, it was noted that the bill included several provisions which would seriously restrict economic activity and lead to unrest in society, with the pretext of preventing the instances of individual fraud to which some persons would have recourse.

## Changes

The chamber declared its belief that changes were necessary in the bill from the standpoint of the following views, in terms of the state's ability to attain its goal of increasing tax revenues while not restraining economic development or victimizing citizens.

## Higher Incomes

It is a positive step for income at the lowest wage level to be exempted from taxes, according to the tax rates provided for in the bill. However, high rates are imposed for higher incomes. This situation will impel those outside public service toward tax fraud, crushing the resolve of efforts among public officials to rise to the upper classes under the deterring constraints of a heavy tax burden. Instead, care must be taken so as not to create deterrents to economic activity through heavy taxation. Tax policy must encourage economic activity and must provide for an increase in tax revenues which parallels the volume of developmental activity.

## Inflation

In sales of non-essential goods, and, if necessary, in the evaluation of economic valuation, instruments, and stocks used in operating activities, consideration must be given to the rate of inflation at the times of control and assessment, and the real value of private property must be preserved at the time of such evaluation.

## Declining Investment

The provisions in the bill which concern declining investment are inadequate. For example, a very low investment on the order of 5 percent is envisioned for furniture and fixtures which comprise a large portion of investment in tourist establishments. Instead, for example, no decline in investment is noticed for investments in tourist items and non-essential economic activities.

## Foreign Travel Expenses

If it is kept in mind that, in an island economy dependent upon the outside world in all sectors, foreign commitments and particularly foreign sales opportunities have been realized through mutual discussions under the influence of existing political conditions, the limiting of foreign travel expenses and the removal of entertainment expenses will create major objections and allow reversals in our foreign relations.

## Advertising

In economic conditions based on free competition, large-scale restrictions on advertising expenses raise multi-faceted problems. On the one hand, the environment of free competition in which advertising bears great importance will be jeopardized, while on the other hand the volume of work and the employment capacity of print and broadcast media, advertising firms, and branches of industries producing in this field will be negatively influenced.

The chamber's statement concludes with these views:

"In light of the objections we have summarized above and other similar reservations, we consider that needed changes must be made in the bill. Otherwise the law on the one hand will not further the goal of increasing state revenues and on the other hand will lead to a reverse in economic activities and further citizens' grievances, and new unrest will arise in society. For this reason we are hopeful that the bill will be given proper attention in the course of discussions in the assembly's general council and that changes will be made to remove the objectionable sections in the bill.

9962

CSO: 4654/352

## LAHNSTEIN RULES OUT TAX INCREASES IN 1983

Duesseldorf HANDELSBLATT in German 15 Jun 82 p 3

[Text] Duesseldorf--In the past few months national economic indicators have improved in some respects: interest rates have declined; price changes are beginning to stabilize, the 1982 wage round is adjusting to the economic possibilities, the end of a phase of current account deficits after the second oil price shock is discernible, and the coalition has pushed through the "Community Initiative."

The encouraging signs of an economic revival should not be overestimated, however. They have not yet affected the profits of businessmen or their inclination to invest, and they have not relieved the labor market.

Moreover in the labor market we have structural problems along with cyclical problems: a bulge in the numbers of youths coming of age is putting pressure on the labor market, and the number of those seeking work is thereby becoming larger than the demand in the expected upward swing of the business cycle. The result is a high basal unemployment, largely due to demographic factors, which in the next few years will require great political effort to improve the vocational opportunities for youth. To this end we have also taken steps in the context of the above-mentioned "Community Initiative."

These early economic indicators have unfortunately not yet had any effect even on the budget. On the contrary: a noticeable increased need for unemployment payments and further drops in tax receipts, particularly of those dependent upon profits, again require decisions in financial policy. A few days ago the tax receipts estimate again made this clear.

## No Further Savings Possible For 1982

The savings possibilities for the 1982 supplemental budget are limited. Legal measures would no longer produce revenue and contracts and commitments must be adhered to. A critical investigation of requests was therefore required so as to serve only the absolutely imperative additional charges.

To the extent that they are not attributable to the overall economic situation, I am striving to compensate for them without increased borrowing. Additional expenditures for the unemployed and tax shortfalls will nevertheless raise

credit needs clearly above DM 30 billion. Great problems in borrowing are not likely to result from this; half of the anticipated gross credit requirements for 1982 was already in the Federal treasury by the end of May.

I hope also that there are no negative effects to be expected in the level of interest rates, because the banks have adjusted flexibly to the development of the public budgets and the credit demand from private investors is still lacking. Nevertheless, the capital market and the trend in interest rates are not to be taken lightly in view of our international dependence.

On the other hand opportunities for action exist for 1983 and the years following, and they must be exploited. Government credit requirements must gradually and steadfastly be reduced in accordance with national economic necessity, in order to avoid negative effects on interest rates and to diminish the interest charge on government budgets.

### 1983 Borrowing Lower Than 1982

For the 1983 government draft budget I am aiming at a borrowing level lower than the assumed actual level for 1982. It would be good if we do not have to exceed the DM 30 billion limit. We know, however, that new and unforeseen budget problems always do develop. We also know how uncertain economic predictions are--particularly at the upward turning point, and we know that in the course of a fiscal year there are scarcely any possibilities to compensate for new charges by savings. These uncertainties must therefore be taken into account as well as possible when setting up the budget.

The fulfillment of the classic state tasks lies in the forefront of the realm of the financially possible. There will be no miraculously quick means of restricting borrowing needs. Viewed from today, expenditures must for a series of years grow more slowly than the nominal GNP. This requires interventions, particularly in the case of subsidies and tax concessions, grant recipients and in the social security field--even through legislation. The number of measures should therefore remain controllable, in order not to blur the effects on the budget charges.

If the state reduces its credit needs, it does so only through limiting services or higher taxes. There are no measures which hurt no one. The citizens know this, and I am convinced that they are also ready to bear necessary burdens, provided that they are justly distributed upon everyone's shoulders.

Those who earn more should also make their proper contribution. One must nevertheless be aware that there are savings reserves especially among the great expenditure areas which are for the benefit of the broad masses.

The investment capacity of enterprises must not, however, fall victim to the striving for social justice. We need more investment in order to create the 2 million jobs which we lack. For this reason the Federal Government, in connection with the 1982 operation and most recently with the investment credit in the context of the employment promotion law, has considerably improved the conditions for investment. Never since the founding of the Federal Republic

has our tax system been so favorable to investment as today, a fact about which people are often silent.

The investment activity of the government is to be strengthened also, where practicable. Here two points must be taken into account. The state makes only a fourth of all investments, and the federal government alone only 5 percent. Government possibilities are therefore tightly circumscribed. In addition we do not need just any investments, but only those which are worthwhile from the standpoint of the national economy. Priority does not go to town halls and swimming pools, but to fields of future importance such as energy supply and environmental protection. Thanks to the high investments of the last three decades our transportation infrastructure is no longer a bottleneck for our industry. In the next few years we must maintain what exists and improve it in detail. In addition the construction of transportation routes has declined in importance for employment policy considerations because of intense mechanization and technical improvement. The Federal Government itself could not make great contributions to the labor market here even if the means were available.

The infrastructures of the news and communications technology are important--even though they are not carried in the Federal budget, but rather in the budget of the Federal Post Office. The Federal Post Office spends over DM 12 billion yearly on this, or more than a third of the total investment of the Federal budget.

#### Corrections of the Bracket Creep

These investments are of foremost importance for the establishment of a modern technical information infrastructure, and encourage the development of new technologies, which improves our competitive position also for export. In addition: whoever speaks here of "investment stagnation" does not know the conditions.

Tax and excise increases are excluded for 1983. Middle-term relief measures in the wage tax area are still being debated. Nevertheless I consider the isolation demand for a rebate of "concealed tax increases" an impermissible simplification of the problem. There are also, particularly in the case of indirect taxes, concealed tax reductions. Both more or less balance each other out, as the relatively constant tax collection figure shows. Unintended effects in the area of wage and income tax must be corrected from time to time--but only in the framework of the level of tax collections which has been constant for some years. The restructuring of the tax yield from a wage tax to an added-value tax proposed by the social-liberal coalition would be a possible way, for even we have additional expenditures due to price increases!

To sum up, I come to the following conclusion in my assessment of the budget and financial requirements:

1. Government demand for credit must be effectively restrained, not in a hectic fashion without perspective, but with steady perseverance in a middle-term process.

2. Whoever wants to restrict government credit can do so only through limitation of expenditures and improvement in receipts. All must bear "their shape" in this--even high income earners,
3. Limitation of expenditures has priority over improvement of receipts for 1982 and 1983.
4. The annual increase in expenditure during the next few years is to remain clearly below the increase in the GNP.
5. Investment must be considerably strengthened: in the case of government investments we must concentrate on those which contribute in a lasting way to industrial growth and to the creation of jobs capable of competition.
6. In the event that, in collaboration with the present majority in the Bundesrat, the prerequisites thereto can be created, I am ready to consider even a reduction of taxes through tax shifting.

6108

CSO: 3103/532

## BUNDESBANK SEES INDICATIONS OF ECONOMIC UPTURN

Munich SUEDEDEUTSCHE ZEITUNG in German 23 Jun 82 p 21

[Text] Enterprises Under Less Cost Pressure--  
No Room Seen for Further Drop in Interest Rate

Frankfurt--Despite continuing economic stagnation, the German Bundesbank since the beginning of the year seems to detect increasingly better preconditions for new [economic] growth. The bank's latest monthly report lists as indicators for this development: Dropping cost pressure in industry due to falling interest rates; lower prices for imported raw materials and semifinished products; higher valuation of the mark on the foreign exchange; and an approximate balancing of current account. The return to a balance of current accounts signals improvement in competitiveness on domestic and foreign markets.

Although total economic production this spring surpassed the level of the fourth quarter of 1981 only insignificantly, and employment dropped further with rising unemployment, there were also increases in orders, for instance in the construction business, after easing of write-offs and a drop in interest rates, and it appears that many enterprises are restocking their inventories, evidently for the purpose of being ready, should sales take an upward swing. In spring, there were also price drops in the oil markets, and in the area of personnel costs there were fewer increases--predominantly due to "collective agreements adjusted to the situation", in the opinion of the Bundesbank.

According to the Bundesbank, the slow-down in cost increases this spring had a favorable impact on the price climate, so that prices gave risen more slowly since the beginning of this year than last fall--the selling prices of the commercial industry at an annual rate of 2.5 percent, consumer prices by 3.5 percent.

## Current Accounts Balanced

According to the Bundesbank report, the improved current accounts situation is joined by a stronger surplus position in foreign trade, which easily reached 14 billion DM from January to April, seasonally adjusted, while current accounts still closed with a minor deficit. After continued deficits in January and February, the current accounts, seasonally adjusted, came close to being balanced in March and April, which is closer to the actual situation, according to the Bundesbank.

Exports from the Federal Republic of Germany increased again this spring--after seasonal adjustment by at least 4 percent, which is all the more remarkable since the economic situation in important consumer countries remained sluggish. From this the Bundesbank concludes that, in general, competitiveness of German products has improved. As before, German exporters were especially successful in the oil-producing countries, although a weakening of their economic growth is beginning to show. Imports also rose substantially by about 5 percent, after seasonal adjustment, but actually by 6 percent, although this trend may be overstated, in the opinion of the Bundesbank. In tourist travel, adjustment to the changed domestic and foreign trade situation seems to continue. The travel balance deficit of DM 6.8 billion was no higher than a year ago.

In the opinion of the German Bundesbank, there seems to be no room for a further drop in interest rates at present. The great divergence between interest rates here and on the international capital market, as well as the high financial needs of public authorities, impede a further rate drop. Therefore, in the near future it is important to "consolidate the gains." While developments in the money supply during the first 5 months of the year conformed with the money supply goals of the Central Bank, the financial development in the public budget had not improved to the extent desired.

#### Large Amounts 'Stashed'

According to the Bundesbank, the money supply in the largest sense, M3,--cash, sight deposits, time deposits for less than 4 years, and savings deposits with a statutory period of notice--increased between January and April by a seasonally adjusted annual rate of 12 percent. Short-term time deposits increased in particular. Evidently, larger amounts had been "stashed" in short-term accounts so they would be available for later investment or expenditures.

In credit developments, the bank pointed especially to public borrowing between January and April in the amount of DM 15 billion. In this respect, public authorities have increasingly replaced private borrowers. In contrast, borrowing by domestic enterprises and private individuals had only moderately increased with a seasonally adjusted annual rate of +4.5 percent.

9917

CSO: 3103/553

## STRUCTURE, TRENDS OF INNER-GERMAN TRADE

West Berlin WOCHENBERICHT in German 4 Jun 82 pp 285-292

[Article: "Inner-German Trade Continues To Lack Dynamics"]

[Text] Inner-German trade has been in a phase of stagnation for some time. Since 1972 a real growth worth mentioning has only occurred twice, in 1976 and in 1980. For the remaining years the nominal--in part quite extensive--expansion of trade was based exclusively on price increases. In 1981, reciprocal shipments rose nominally by almost 7 percent, in reality, however, a decline of more than 2 percent occurred. The total real increase in shipments and purchases between 1972 and 1981 amounted to no more than 6 percent, i.e., an annual average of 0.7 percent. A fundamental change in this lackluster development is not in sight.

## Improved Balance for GDR

In inner-German trade the year of 1981 was marked by the following facts:

--Sales, i.e., the combined total of reciprocal shipments of goods,<sup>1</sup> rose nominally by 6.9 percent; at 8.5 percent FRG purchases from the GDR rose faster than shipments to the GDR (5.3 percent).

--Already in 1980 the GDR achieved a positive trade balance; in 1981 a surplus was achieved, amounting to almost DM 500 million.<sup>2</sup> Federal government statistics, which serve as a clearing system according to the Berlin Agreement, are even showing a surplus of more than DM 750 million.<sup>3</sup>

--Since the GDR's traditionally high deficit for services was lower than the surplus in the trade of goods, the total of existing liabilities toward the FRG--the so-called accumulated negative balance--could be reduced to DM 3.7 billion as per 31 December 1981. This deficit was primarily financed through commercial loans, one-fifth was arranged through swing, which in 1981 was only used at an annual average of less than DM 700 million.

Relative to GDR earnings in inner-German trade, the GDR again improved its debt situation<sup>4</sup> (accumulated deficit balance by percentage of annual trade with GDR):

| <u>Year</u> | <u>Percentage</u> |
|-------------|-------------------|
| 1978        | 95                |
| 1979        | 85                |
| 1980        | 70                |
| 1981        | 60                |

At the end of 1981 the relative level of liabilities corresponded to the level of 1974.

--Compared to 1980, 1981 prices in inner-German trade for purchases from the GDR rose 10.5 percent, which is more than the increase for shipments (8 percent),<sup>5</sup> an indication that the terms of trade developed in favor of the GDR.

--In real terms the 1981 trade of goods between the two German states declined slightly in both directions (2 percent).

--A significant factor with respect to purchases from the GDR was again the increase in prices for petroleum products (diesel 18 percent, gasoline 25 percent and heating oil 41 percent). For brown coal briquettes the GDR was able to get 12 percent more than in 1981 per unit of quantity. With respect to shipments, prices for petroleum increased about 30 percent. Also hard coal (22 percent) and hard coal coke (24 percent) as well as albumin feed (oil cake and groats, 37 percent) became considerably more expensive for the GDR.

#### Unsatisfactory Structure of Goods

Classified according to production areas, the 1981 development of shipments by the FRG was marked, above all, by:

--an unusually strong expansion for products in the raw material and production goods industries (8 percent in both categories),

--a decline in agricultural and food-industry products as well as

--a below-average increase for products in the capital goods industries.

With respect to the development for raw materials and production goods, price increases played a considerable role. The quantity of petroleum shipments went down (10 percent), but the value of the shipments was 17 percent higher in spite of it. In addition to price increases for hard coal and coke, considerable changes in the quantities were also noticeable:

Hard coal shipments rose from 65,000 tons to 750,000 tons, coke shipments declined from 900,000 tons to 500,000 tons. Of course, 1980 was an untypical year for comparing the two kinds of goods. During the last few years, GDR imports in general as well as their purchases in the FRG were subject to considerable fluctuations. In inner-German trade they were especially low for hard coal in 1980, for hard coal coke, however, they were unusually high. By now, the energy raw materials of petroleum, hard coal and coke make up about 20 percent of the shipments and carry considerable weight; their importance has increased greatly during the last decade.

With respect to purchases from the GDR the following development has become evident:

--Purchases of products in the raw material and production goods industries increased above the average.

--Purchases of agricultural and food-industry products expanded, keeping up with total purchases; purchases of products in consumer goods industries increased only modestly, 1.6 percent.

--Purchases of products in the capital goods industry declined (5.6 percent).

The increase for gasoline as well as medium-heavy and heavy heating oil was remarkable, it accounted for one-third of all increases in purchases. Drastic price increases were also evident in this category. The increase in quantity varied: Purchases of gasoline increased substantially (29 percent), heating oil purchases went down by 13 percent because of a reduction in orders. In addition to petroleum production, developments in 1981 were marked by substantial increases in income for the GDR in the area of chemical products, an above-average expansion in the supply of furniture and lower proceeds for machinery shipments. Consequently, the share of machinery as a proportion of total purchases by the FRG from the GDR sank to 2.6 percent, to date the lowest quota in the history of inner-German trade.

Share of Machine Construction as a Proportion of Total Purchases by FRG from GDR

| <u>Five-Year Average</u> | <u>By Percentage</u> |
|--------------------------|----------------------|
| 1951-1955                | 9.3                  |
| 1956-1960                | 7.5                  |
| 1961-1965                | 5.9                  |
| 1966-1970                | 5.8                  |
| 1971-1975                | 3.5                  |
| 1976-1980                | 3.1                  |

Altogether, the structure of goods in inner-German trade did not change substantially. Both, shipments and purchases by the FRG are still dominated by products of the raw material and production goods industries; their share increased again and is nearing the 60-percent mark in both directions for goods sold. To balance its accounts, the GDR is financing deficits in the capital-goods industry with surpluses in industrial consumer-goods industries. In contrast to earlier times, when the GDR had to accept deficits in the area of raw materials and production goods, in 1981 it already achieved a surplus of more than DM 350 million--last but not least a result of petroleum product purchases from the GDR, which had risen in price and in volume.<sup>6</sup>

Typical for the exchange of goods between highly industrialized economies is a large proportion of finished products which represent a high degree of refinement and processing. When economic maturity increases, this proportion grows. Developed economies show a high proportion of finished goods, particularly in exports, whereas raw materials and semifinished goods are important items in imports--although, as a rule, the growth rate is disproportionately low. These characteristics apply to the FRG and the GDR. The exchange of goods between the two economies, however, does not have these characteristics; its structure of goods more closely resembles trade between less developed countries. It applies equally to shipments and purchases.

In 1980, 83 percent of all West German exports consisted of finished products, for shipments to the GDR the share was only 53 percent. For final products alone the figures were 66 and 32 percent respectively. On the other hand, FRG exports of semifinished goods and raw materials amounted to 10 percent of all exports, for shipments to the GDR it came to 30 percent.

Also with respect to FRG purchases from the GDR, the picture is untypical for imports by a highly developed country. The share of finished goods (initial and final products) is no higher for purchases from the GDR than for all West German imports, although it is well-known that the structure of FRG imports is indicative of a high percentage of raw materials. It must be noted, however, that purchases from the GDR include goods destined for consumption in West Berlin (petroleum products, agrarian products).

[see Table, next page]

# Structure of Inner-German Trade According to West German Foreign Trade Systematics<sup>1</sup>

## Share in Percentages

| Year:                                | <u>1967</u> | <u>1970</u> | <u>1975</u> | <u>1980</u> |
|--------------------------------------|-------------|-------------|-------------|-------------|
| <u>Items Shipped by FRG</u>          |             |             |             |             |
| Food industry <sup>2</sup>           | 18          | 12          | 8           | 10          |
| Industrial production                | 82          | 83          | 84          | 83          |
| --Raw materials                      | 6           | 6           | 8           | 12          |
| --Semifinished goods                 | 17          | 21          | 20          | 18          |
| --Finished goods                     | 59          | 56          | 56          | 53          |
| divided into:                        |             |             |             |             |
| Initial products                     | 27          | 24          | 25          | 21          |
| Final products                       | 32          | 32          | 31          | 32          |
| Small purchases, miscellaneous goods | -           | 5           | 8           | 7           |
| <u>Items Purchased by FRG</u>        |             |             |             |             |
| Food industry <sup>2</sup>           | 32          | 22          | 17          | 11          |
| Industrial production                | 68          | 77          | 81          | 87          |
| --Raw materials                      | 11          | 7           | 6           | 4           |
| --Semifinished goods                 | 10          | 13          | 22          | 35          |
| --Finished goods                     | 47          | 57          | 53          | 48          |
| divided into:                        |             |             |             |             |
| Initial products                     | 13          | 14          | 17          | 17          |
| Final products                       | 34          | 43          | 36          | 31          |
| Small purchases, miscellaneous goods | -           | 1           | 2           | 2           |

1. Groups of goods and subgroups in food industry and industrial production.

2. Livestock, food of animal origin, food of plant origin, luxury goods.

## Chances for Growth and Obstacles to Growth

Also in the future opportunities for growth and limits to growth in inner-German trade will be determined:

--by the general political and economic frame conditions in East and West,

--by the willingness of one side to grant credit and the willingness of the other side to assume debts,

--by the ability of the GDR to deliver goods but also the willingness of the FRG to buy them.

General political and economic frame conditions are worse today than they were during the 1970's. No impulses can be expected from them; rather, it is

to be expected that restrictive influences will result. An example is the current discussion about the arrangement of the swing: The only issue is whether it should be reduced to DM 200 million, according to the Berlin Agreement, or, at best, if it should be retained at its current level. It has been a long time since this instrument was used to revive trade. What has to be considered is the fact that the swing regulation is not only an essential element for trade relations between the two German states but its significance also affects the climate of reciprocal relations.

Compared to earlier times, the policy has been eliminated of stimulating this kind of trade, which is based on credit-financed imports. On one hand, it is due to the high deficits that have developed in all East-West trade and to existing difficulties in repaying the credits. On the other hand, creditors have become more careful: The earlier almost careless willingness to grant credit for business with the East has been replaced with a very critical attitude in view of the "Polish shock." The fact that the GDR is not exempt from this climate of disillusionment is understandable, and the fact that occasionally rumors can already be heard that the GDR is on the verge of international insolvency.<sup>7</sup> It should come as no surprise in view of its mysterious handling of foreign-trade and balance-of-payments statistics. While this policy of refusing to disclose the balances can be justified in normal times by saying that the "class enemy" must not be permitted to get important insights, under present conditions it would be thoughtless to stick to this policy; it could even prove to be harmful.

During the next few years, the shape of GDR trade relations with Western countries will be marked by a lack of willingness by the West to grant credit, a sizable interest burden for the GDR because of the persistently high international interest rates and the desire to continue the consolidation of trade with the West. No doubt, in inner-German trade it will continue the policy of the last 2 years, trying to achieve surpluses in the exchange of goods. Available data for the first quarter of 1982 (shipments by the FRG up 5 percent; purchases up 14 percent; surplus for the GDR in the exchange of goods: DM 300 million) confirm this trend. As far as is possible, the GDR will certainly try not only to balance the deficit in the service sector with surpluses in the balance of goods but also to continue the reduction of the accumulated negative balance. It also means that it will only be willing to expand purchases in the FRG in proportion to its sales.

The expansion of purchases from the GDR certainly depends, first of all, on the improvement of the competitiveness of these goods, i.e., the effort by the GDR to expand the selection of competitive products and the attractiveness of its products with respect to service, availability of spare parts, shape and looks. Beyond that, however, the contingent policy of the FRG must not be overlooked as a factor inhibiting or promoting expansion.

The DIW always demanded a more liberal purchasing policy toward the GDR;<sup>8</sup> it also pointed out consistently that the arguments in favor of practicing the contingent policy are not very convincing and that this policy is in contradiction to the federal government's intention to promote trade.

According to GDR data, at the end of the 1970's the amount of goods that had been blocked annually because of the contingents reached between DM 100 and DM 200 million.<sup>9</sup> Current estimates are that if contingents had been established more generously, the GDR would be able to supply immediately to the FRG goods valued at between DM 200 and DM 250 million.

The areas in which, according to the GDR, its export abilities toward the FRG have been impaired because of contingents are iron and steel, textiles, glass, porcelain and household goods as well as agricultural products.

As a matter of principle, the importance is limited of purchases in inner-German trade in all these sectors--considering all FRG imports and domestic production. In the area of textiles it has already been discussed in detail at an earlier date,<sup>10</sup> the same applies to the category of iron and steel. Between the years of 1976 and 1980, GDR products amounted to between 2.1 and 2.5 percent of West German imports of all iron and steel products (group of goods 27). Compared to domestic production, purchases through inner-German trade are of a similarly insignificant importance.<sup>11</sup> Calculated by volume, the FRG buys slightly more than it delivers, as far as the value is concerned, there is even a substantial surplus for deliveries,<sup>12</sup> since more highly refined products are exchanged for simpler ones. When one compares the employment effects that relate to shipments and purchases, it becomes evident that particularly this category in inner-German trade accounts for gains in employment.<sup>13</sup>

An increase in contingents would have no noticeable negative effects on the FRG economy, but it would promote inner-German trade significantly. Abuses could be counteracted because the GDR is under strict control with respect to establishing prices due to the existence of the price verification procedure. Nevertheless, it must not be overlooked that a more generous handling of contingents in the category of iron and steel would be problematic at the present time. The difficult situation in the economic sector of iron and steel is also well-known in the GDR.<sup>14</sup> Because of these grave labor-market problems, the federal government is facing political-psychological barriers when it comes to the expansion of contingents, and they should not be underestimated. In addition, GDR attitudes toward the federal government give little occasion for being conciliatory in trade-policy questions.

In addition, this trade must also constantly be considered from the aspect of reciprocity in business relations. During the 1970's the GDR expanded and modernized its metallurgical basis, in part with the help of orders to West German industries.<sup>15</sup> In the meantime it placed additional large orders in this category but not with the FRG but with other Western countries.<sup>16</sup> To be sure, there were numerous reasons for placing these orders (prices, barter opportunities, interest conditions). Another factor that certainly played a role was the fact that after the first large orders that had been placed in the FRG, sales opportunities here for iron and steel did not increase to the degree expected. At that time the federal government was not able to decide in favor of more generous terms for handling contingents. The relative importance of iron and steel in proportion to all purchases has become even less significant, quantities,--although there are considerable

annual fluctuations--during the second half of 1970 stagnated compared to the first half. To be sure, from this viewpoint trade opportunities were squandered in the past; because of the changed GDR policy for placing orders, however, an expansion of contingents is not exactly beneficial at the present time.

#### Result

Opportunities for developing inner-German trade during the near future must be viewed with some reservation. Not enough factors can be recognized that would point to a dynamic development. To be sure, production rights<sup>17</sup> and third-country cooperation have of late led to interesting initiatives, according to which the inner-German exchange of services is to be expanded beyond trade; nevertheless, to date not enough has happened to release comprehensive impulses.

The only aspect which permits expectations of a positive development is the enormous effort by the GDR to increase its exports. Nevertheless, there are strict limits on this kind of consolidation policy in inner-German trade, because high deficits toward the other Western countries and the Soviet Union are forcing the GDR to spend more efforts on exports to these countries.

#### FOOTNOTES

1. Federal Office for Statistics, Special Series, No 6.
2. Inner-German trade is conducted in accounting units. One accounting unit corresponds to DM 1.
3. Cf. press report by FRG minister for economics, 3 March 1982.
4. The GDR position is even more favorable if one takes into consideration the fact that since 1979 it received between DM 1.1 and 1.3 billion annually from public and private sources. The biggest items are the transit fees (DM 525 million annually) and a share in the cost of investments for Berlin traffic (between 1979 and 1981 it averaged DM 450 million). In addition to these payments listed by the Bundestag, the GDR has other income (for instance, profits from intershop and intertank sales, minimum exchange requirements for visitors to the GDR), the amount of which is not known.
5. Official statistics for prices in the inner-German exchange of goods do not exist. To date only DIW calculations have made available figures about price developments. They are based, in part, on prices that have been ascertained for certain products, for which figures are available with respect to quantity and value. Consequently, exact prices can be found for many individual items. In cases where it does not seem possible or meaningful to calculate prices per item, because the goods are of a heterogeneous nature or because information is only available for a group of several products, FRG price statistics for exports and

imports as well as the statistics for industrial producer prices were used. All calculations were carefully weighed with respect to the structure of goods in inner-German trade.

6. Between 1970 and 1980 alone, purchases of petroleum products from the GDR increased from 0.83 million to 2.68 million tons. In 1980 inner-German petroleum-product transactions yielded a surplus for the GDR in the amount of DM 885 million (value of petroleum products sold in the FRG minus petroleum from FRG sources). Gasoline sold within the framework of inner-German trade amounted to approximately 8 percent of GDR domestic production in 1980. Cf. Doris Cornelson, Horst Lambrecht, Manfred Melzer and Cord Schwartau, "Die Bedeutung des Innerdeutschen Handels fuer die Wirtschaft der DDR--eine Analyse am Beispiel ausgewaehlter Lieferungen und Bezuege der Bundesrepublik Deutschland. Gutachten des DIW im Auftrag des Bundesministers fuer Wirtschaft" [The Significance of Inner-German Trade for the GDR Economy--an Analysis of an Example of Select FRG Shipments and Purchases. Assessment by DIW at the Request of the FRG Ministry for Economics], Berlin, 1982 (mimeographed as manuscript).
7. Cf., for instance, "DDR-Pleite scheint vorprogrammiert zu sein" [GDR Bankruptcy Appears to Be Preprogrammed], and "Nach Polen und Rumänien nun DDR-Zahlungskrise?" [Following Poland and Romania now GDR Financial Crisis], HANDELSBLATT, 29 April 1982.
8. Cf., "Neue Impulse fuer innerdeutschen Handel erforderlich" [New Impulses Required for Inner-German Trade], edited by Horst Lambrecht in WOCHENBERICHT DES DIW, No 10, 1979.
9. Cf., Erich Freund in OST-WEST COMMERZ, No 1, 1980, p 14
10. Cf., "Innerdeutscher Handel weiterhin of Expansionskurs?" [Inner-German Trade Continues on Expansion Course], edited by Horst Lambrecht, WOCHENBERICHT DES DIW, No 9-10, 1977.
11. For round bar steel, thick and thin plate the quotas were between 0.2 and 0.9 percent; for galvanized sheet metal it was between 2.2 and 2.5 percent. A comparison at Siemens-Martin-Rohbloecken, the largest position in inner-German trade, is problematic, because in the meantime this production procedure has been replaced in the FRG with other technologies. In 1978 and 1979, quantities purchased from the GDR--in proportion to domestic production--amounted to approximately 2 percent.
12. Between 1971 and 1975, purchases of iron and steel products (groups of goods 27, 29 and 30) from the GDR averaged DM 212 million, sales to the GDR amounted to DM 409 million, yielding a ratio of 1 to 1.9. Corresponding data for the years between 1976 and 1980 were: DM 284 million (purchases), DM 454 million (shipments) and 1 to 1.6.
13. Horst Lambrecht and Hans Wessels, "Productions- und Beschaeftigungseffekte im innerdeutschen Handel. Beitraege zur Strukturforchung des DIW" [Production and Employment Effects in Inner-German Trade. Contributions on Structural Research by DIW], No 51, 1978.

14. Cf., for instance, Karl-Heinz Domdey: "Krise in der kapitalistischen Stahlwirtschaft" [Crisis in Capitalist Steel Industry], HORIZONT, No 17, 1982, p 24.
15. In the area of capital equipment the GDR placed orders totaling approximately DM 500 million. Among them were: an electric steel plant in Hennigsdorf (DM 70 million) placed with Salzgitter and others, a gray iron plant (DM 80 million), placed with Gutehoffnungs-Huette, a fitting foundry (DM 130 million), Krupp GmbH and the expansion of the electric steel plant by Krupp (DM 120 million).
16. For instance, a Belgian consortium, which received an order for DM 700 million, the former Flick structural steel rolling mill (DM 80 million, Gutehoffnungs-Huette), Danieli, a group of fitting firms, received an additional order for the construction of a steel plant in Brandenburg, amounting to more than DM 600 or 700 million and the Austrian state concern Voest-Alpine is currently building a converter steel plant for Eisenhuettenstadt valued at DM 1.5 billion.
17. These agreements are similar to licenses, they permit the GDR to produce Western brand goods, for instance, Western cigarettes, for which it imports, in part, initial products.

8991

CSO: 3103/531

## BAVARIAN OFFICIAL ASKS COMPLETION OF RHINE/MAIN/DANUBE CANAL

Munich BAYERNKURIER in German 12 Jun 82 p 4

[Article by Georg Freiherr von Waldenfels, secretary of state in the Bavarian Ministry for Economics and Transportation]

[Text] Just 6 years ago, in 1976, 10 years after the signing of the Duisburg agreement on construction of the southern link of the Rhine/Main/Danube canal, the Federal Government and the free state of Bavaria engaged in extensive consultations concerning all legal, financial and technical aspects of the construction of this inland navigation route with the outcome then that the canal was to be completed as quickly as possible. When, however, in 1980, the catastrophic financial situation of the Federal Government, brought on by the coalition's fiscal policy, became manifest and when the necessity for cutbacks in all areas proved to be inevitable, Federal Minister of Transportation Hauff used this occasion to draw up a medium-range fiscal plan calling for cuts in allocations for the Rhine/Main/Danube canal which would eventually lead to a complete halt to its construction. No regard was taken even for adherence to obligations already concluded with the civil engineering contractors involved.

This fundamental refusal to continue work on the canal, which was manifest even then in the fiscal planning proposals, was reinforced by Hauff's statements which in the meantime have become sufficiently well-known. When, having achieved support for his negative position only a few years ago, he was not able to muster any new facts in evidence, Hauff then sought to find a basis for his position by calling upon consultants.

The consultants report prepared by the Planco Institute and submitted by the transportation minister in late 1981, seemed, in the light of its projection of the canal's transportation utility, to provide an appropriate basis for further steps aimed at halting construction. The minister, however, ignored the fact that this document, soon after its release, was the subject of substantial criticism from experts in the field with respect to its methods and conclusions.

The desire of the Federal minister of transportation to resume discussions with Bavarian authorities toward halting construction, using this document as a base, failed to find support within the Federal Cabinet which was split on the issue. The Federal Cabinet empowered the minister, in

its resolution of 27 January 1982, merely to open negotiations with Bavaria with the goal of "finding a reasonable concept for further action regarding the Rhine/Main/Danube navigation project" (whatever this might mean), and only to explore in these terms the possibility of a "conditional termination of the project."

The Bavarian government, in its cabinet resolution of 16 March 1982, put forward its opinion that there were no grounds for any change in the Rhine/Main/Danube agreement and certainly none for a termination of the canal's construction. For the sake of alleviating the tension between the contracting parties, the Federal Government and Bavaria, and so as to be able to make its position on the issue absolutely clear once again, the Bavarian government, at the request of the Federal Government, did express its willingness to enter into a discussion of the data and facts relating to the Rhine/Main/Danube waterway. In light of the earlier public polemic, the Bavarian government, through this effort at accommodation evidenced an extraordinary contractual fidelity and conciliatoriness. It is to be hoped that the Federal Government recognizes this and, for its part, is willing to come to an objective clarification of the differences of opinion which have surfaced.

The first round of discussions at the administrative level took place in Bonn on 2 June 1982. It is, of course, too early to make any prognosis of the final results of the exchanges. The representatives of Bavaria sought first of all once again to make clear the Land's position: A termination of construction or a change in the agreement was out of the question for Bavaria. Bavaria is, however, willing to examine thoroughly and to discuss every detailed aspect connected with the canal in consultative technical discussions along with representatives of the Federal Government. This, of course, represents not an effort to find facile compromises but rather to substantiate positions.

The Bavarian government was willing to undertake these discussions because it is certain, on the basis of the findings available to it, that it will be able to substantiate its demand for completion of the waterway beyond any reasonable doubt. What will now be essential is that the Federal Government attest to its own willingness to accept objective proofs and facts and, on the basis of these proofs and facts, to amend the position that it has taken until now. The results of the consultations should enable the Federal minister of transportation to return to the main line of transportation policy respecting the Rhine/Main/Danube canal which the Federal Government had maintained jointly with the Bavarian government until only a short time ago.

A central issue in the evaluation of the project is the fact that there will be no fiscal gain achieved through halting construction of the canal, though the already completed sections of the waterway will lose their future value, either entirely or in very large part. We have a high rate of unemployment and job-creating programs are being called for. It is, however, totally absurd, given present circumstances, to terminate a major project which, both during its construction and in its subsequent operational phase, will substantially alleviate the employment problems of a structurally weak region of the country. If it is possible to speak of an unreasonable and contradictory policy anywhere, then it is certainly so in this case.

## DETAILS OF COALITION AGREEMENT ON 1983 BUDGET

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 2 Jul 82 p 2

[Article by Kg: "Schmidt, Lahnstein and Lambsdorff Against Additional Employment Policy Measures--Controversy About Tax Advantages--Change in Married-Filing-Separately Income Tax--The FRG Government's Budget Decisions"]

[Text] Bonn, 1 July--FRG Chancellor Schmidt as well as the ministers Lambsdorff and Lahnstein spoke out last Thursday in budget discussions against taking additional employment-related policy measures. The top politicians of the coalition obviously wanted to avoid a repetition of last year's discussion about the job creation program. SPD economic expert Roth spoke in favor of additional employment-related initiatives. Schmidt replied that he wanted nothing to do with additional measures designed to boost the economy if they would have to be financed through credits or tax increases. The FRG Government, he continued, wishes to make the mark independent of the dollar as far as possible so as to gain an opportunity for lowering interest rates. Anything gained to date in this respect must not be jeopardized.

The FRG Government's budget decisions, which have been adopted by the FDP fraction as well as the SPD fraction with a large majority, follow the line which has become evident during the last few days.

The government has set as its goal to keep Federal expenditures until 1986 below the increase of the GNP. For 1983, spending is to be limited to DM 250.5 billion. A deficit increase of DM 28.5 billion is expected. Lambsdorff specifically welcomed this debt because it is appropriate to the economic situation. With the strict limitation of a spending increase of 2 percent, no adverse effects should result from this indebtedness. Lambsdorff welcomes the cabinet's decisions because they provide incentives for the economy to make its own decisions. The FRG Government is sticking to its assumption that the GNP will increase by 3 percent next year. Lahnstein and Lambsdorff admitted that some fiscal policy risks are connected with this.

In Fiscal Year 1983, the FRG Government counts on income from Bundesbank profits on the order of DM 10.5 billion. For the 1984 financial plan, another Bundesbank profit of DM 10 billion is assumed. This is the only

be compensated for by the fact that the federal contribution will be reduced by a like amount. From 1984 on, the contribution will go to the treasury of the pension insurance. What will become of this will be left up to future budget decisions. The 1983 pension adjustment law provides for a pension increase of 5.6 percent. By initiating the above contribution, this is actually reduced to 4.6 percent; and in the following years too pension increases will always be reduced by 1 percent due to the graduated increases in contributions. In order that war victims not be given preferential treatment, it is proposed that their contributions, which are based on gross earnings, be reduced by 1 percent until 1986 as well.

According to the FRG Government, the reserves of the pension insurance, which at the beginning of this year covered 2.1 total monthly payments, will drop to 1.4 monthly payments in 1983 and to 1.3 in 1984. Until now the government had calculated pension financing on the basis of an average earnings increase of 5.2 percent. Should these new estimates be based on that calculation also, it is quite possible that the pension insurance fund could experience liquidity crises in 1983 and 1984, since about DM 13 billion of the reserve funds could either not be converted at all or only by incurring considerable losses.

Changes are also contemplated in the health insurance, some of which are of a basic nature. Thus, contributions will be required on the part of the insured and their dependents for hospitalization costs. In the future, the insured will be charged DM 5.00 per hospital day for the first seven days. Corresponding measures are contemplated for outpatient services. This will relieve the health service fund of costs of up to DM 250 million. For convalescent cures which are financed by social security insurance, a contribution by the insured of DM 10.00 per day is contemplated.

Also, the prescription fee per order is to be raised from DM 1.50 to DM 2.00. The increased revenues from this are estimated at DM 300 million. The government is also having recourse to previously issued provisions of the Cost Reduction Law, which would remove "minor pharmaceuticals" from the list of medications which the health insurance must furnish. This exemption list was to have been issued as a regulation; now a special law is being contemplated for this purpose. It would provide that in the future patients insured by social insurance would pay out of their own pocket for laxatives, motion sickness medication, and those for cough, colds and hoarseness as well as mouth and throat disinfectants. This should save DM 580 million for the health insurance. The list of economy measures also includes the collection of contributions of 6 percent from supplementary old age pensions after 1983, a saving of DM 600 million. However, the health insurance funds have probably counted on this revenue in their financial plans.

Different funds will be impacted in different ways by the cuts in contributions from the Nuremberg Federal Institution, inasmuch as in local health insurance funds and guild health insurance funds the participation of unemployed insured members is by far the largest, while in substitute funds and corporate health funds it is below average. The coalition has agreed to bring about an equalized burden of the various health insurance funds through a supplementary financial sharing plan.

There will probably also be dissension over the FRG Government's proposals for eliminating tax advantages. This is especially true for the decision to reduce the married-filing-separately benefits. The "splitting" advantage presently amounts to a maximum of DM 14,868. It is to be limited to DM 10,000. This will probably affect single-earner households with taxable incomes of DM 100,000 annually. Additional revenue of DM 300 million in 1983 are expected from this.

Greater financial impact will derive from the intention of limiting the standard allowance for subsistence for civil servants to a maximum of DM 2,000 for singles, DM 4,000 for married. Until now, the maximum figures were DM 2,340 and DM 4,680, respectively. The standard subsistence allowance for children will not be reduced. Maximum amounts for subsistence costs will not be reduced. Therefore, anyone who can document subsistence costs in excess of DM 2,000 or DM 4,000, respectively, will be affected by this change in the law. Additional revenues from these provisions are estimated to amount to DM 500 million in 1983.

The standard income tax of 10 percent for certain future annuities for employees (paragraph 40b of the Income Tax Law) will be raised to 15 percent.

The FRG Government estimates an additional revenue of DM 800 million from the proposal to raise the tax on business automobiles from today's minimum of 20-25 percent to a minimum of 40-50 percent.

The Federal minister of finance is to examine possibilities of further limiting the loss equalization beyond the present provisions of paragraph 15a of the Income Tax Law. This should result in the elimination, or at least the limitation, of unjustifiable tax advantages from casualty insurance companies and building associations and similar organizations. Lahnstein is to render a report to the cabinet by the end of the year.

Also, the following foreign losses will in the future not be permitted to act as tax losses to reduce taxable income: losses deriving from rental and lease of foreign real estate; losses from agriculture and forestry abroad; losses from professional activities abroad which are not productive as specified in paragraph 5 of the Foreign Investment Law. This specifically encompasses losses from tourism enterprises.

Profits made in the FRG by internationally affiliated enterprises are to be taxed in the FRG as well. This is to be implemented by means of a management directive which will summarize and standardize the guidelines for auditing internal corporate accounts.

9273

CSO: 3103/558

## TOURISM TRADE BELIEVED SUFFERING FROM POLLUTION

Athens BUSINESS & FINANCE in English No 196, 29 May 82 pp 23-24

[Article by Patricia Wren]

[Text] After an unexpected decline earlier this year, foreign tourism in Greece seemed to be on the upswing in March, if arrivals at Athens Airport — usually estimated at 60% of the total — are any indication.

The 116,520 arrivals at the airport two months ago portrayed an increase of 18.3% over March 1981, but the damage already was done. Tourism in January and February was down 5.1% over the same period last year. In February alone, the decline was 6.9%. And the National Tourist Organization of Greece was getting nervous.

Partly as the result of the early-year decline, and partly because of reorganization in nearly all state entities, a new tourism policy — including three- and five-year plans — was announced in April by NTO Secretary General Stelios Panagopoulos. The policy should be ready for implementation by the end of the year.

Meanwhile, the NTO is trying to hasten head-counting (though no complete figures for March and none at all for April were ready by May 21), is stepping up tourist polls at airports, and has begun publicizing one-night tourist stopovers at popular tourist centers. The organization was quick to point out last week, for example, that on May 17, 28,735 tourists (of whom 24,352 were foreigners) spent the night at Rhodes — up 16% over the same night last year.

As Greece's number-one money-maker, tourism, on the decline, is something to fret about. Since the crisis in

Cyprus in 1974, annual increases in the numbers of tourists visiting Greece seemed to have been taken for granted, despite an inflationary era which is taking its touristic toll elsewhere.

But now, although there are quite a few bright spots, some troublesome indicators suggest that Greece will do well to attract the same number of visitors she did last year.

For one thing, according to NTO spokesman Panayotis Martakis, U.S. tourists visiting Greece are on a sharp decline. Although there were more U.S. tourists in Greece in 1981 than there were in 1980, last year's figure was still down 46.6% over 1979.

A recent Greek Tourist Exhibition in Chicago drew about 700 travel agents, representatives and journalists who predicted that numbers of U.S. tourists to Greece from the Midwest are likely to increase by 15% this year, but that guesstimate for the Midwest is by no means indicative of the rest of the country.

Though Panagopoulos has denied that the NTO published an advertisement in the states using as incentive the fact that the U.S. dollar buys more here this year than it has in the past, he has called for a stronger advertising campaign to offset the downswing in U.S. tourists.

An even more worrisome fact for the NTO is the decline, so far this year, of British tourists. Usually comprising the greatest numbers of visitors to

Greece, the British in January and February ranked third (17,731), after the Americans (19,341) and the Yugoslavians (27,807).

The NTO is becoming increasingly edgy about that apparent trend because of the crisis in the Falkland Islands. As Martakis points out, the major contributing factors to declining tourism are political or economic crises in the host country — or the country of origin. "And the British could raise taxes to support the war," he says.

Another unsettling factor, which could take a few months before it appears in NTO statistics, is the increasingly severe and increasingly publicized pollution cloud hanging over Athens. At its worst May 13, it more than doubled the alarm limits for both nitrogen dioxide and carbon monoxide, and the Greek and foreign press headlined the fact with great alacrity.

"Of course publicity always plays a role, just as it did with the earthquake (of February 1981)," Martakis says. "The nephos is not a lie, but Berlin and Madrid also have a nephos — yet elsewhere you don't get the bad publicity you do here. I'm not blaming anybody, but if a Greek newspaper writes something, foreign papers will pick up the same information and people abroad think there's something terrible in Greece.

"We are afraid of it," Martakis admits, "but the nephos is a phenomenon of Athens, not Greece. So our job is to persuade people that the nephos isn't anything so terrible."

Tourism in Attica is, nevertheless, a focal point of the new NTO policy, and as do other capital cities, Athens has been relying on a preponderance of foreign visitors to stay here for the first several days of their visit. Whether the visitors will accept the NTO's assessment of the nephos, however, remains to be seen.

On the bright side, foreign exchange from tourism does not seem to have been affected along with tourist numbers. The inflow of tourist exchange during the first two months of the year increased 6.5% over the corresponding period last year — to \$115

million from \$108 million. The typical tourist this year spent \$627 during his stay, as compared with average spendings of \$551 in 1981.

Another promising factor, according to Martakis, is estimates based on requests for information, hotel bookings and pre-bookings and allotments which suggest that the "high" tourist season this year may last as late as November, instead of the more typical October end-season.

"So if this happens," he says, "even a decline now would represent an increase by the end of the year — or at least the same figures as last year. This we would consider a success, because other countries are suffering a great decline. The crisis is not Hellenic, it's international."

Tabs on tourists are kept first of all on their arrivals — via airplane, highway, ferry or cruise ship. These numbers and the countries of origin are reported to the NTO via the tourist police. Hoteliers, no matter how small their premises, also are required to report the same statistics once a week to tourist police.

"The Chamber of Hoteliers also connects with us," Martakis says. "Our intention is to cooperate with them, as much as possible. The way we see it, there are two ways to success — better treatment of people working in the tourist industry, and more hotel inspections."

Yet the latter is sure to create at least a few minor skirmishes. Martakis says one aim of the new policy — already begun — is to step up inspections to as many as three times a year per hotel, no matter its size. And one of the first projects, according to Panagopoulos' statement in April, is to ensure that all hotels install biological waste treatment systems.

Though such systems have been required by law for some time, Martakis says, compliance has been lax. To counter the trend, the NTO intends to bear down more heavily with penalties. At its disposal are fines ranging from 200,000 drs. to 1 million drs. (even a 1.5 million drs. fine was once imposed), the leverage of lowering hotel categories and — as a last resort — temporary closure of

offending facilities.

On a broader scale, the NTO's plans for the future include the possibility of making tourist gas coupons available once again, seeking means to keep archaeological sites open during strikes and off-season holidays, improving the quality of schools for the tourist profession, investigating a site for an Athenian conference center, developing recreational marinas and harbors, and promoting domestic and winter tourism via group discount rates for worker groups, senior citizens and students.

Although Panagopoulos had hinted in April that beginning this year nude bathing away from town centers would be tolerated, nudist centers established and laws modified to accommodate them, Martakis says none of the above can possibly be implemented this year.

First, he says, studies must be done to determine percentages of tourists who prefer nude bathing, to ascertain how many nudist centers should be built.

As to legalities, the 1950 law used by police to prosecute nude bathers actually refers neither to nudists nor to bathers, Martakis says, but deals instead with "disturbances" and "nuisances."

As such, the legislation has been variously interpreted by police officials and applied arbitrarily to nude bathers — usually, he says, following complaints by residents and pressures from the church.

"In 1950, there weren't any nude bathers — at least not in the numbers you see now," Martakis says. "So we've been trying to change people's minds — and our first task was to convince them bikinis aren't a crime.

"Now comes the hard part. Because the law has been applied so arbitrarily, some tourists are in jail and some are not." And jail, Martakis suggests, is the last place that a country which derives its greatest income from tourism wants its tourists to be.

CSO: 4600/637

## PASOK PROGRAM VIEWED AS 'MARXIST ADMINISTRATION'

Athens BUSINESS & FINANCIE in English No 199, 19 Jun 82 pp 4-5

[Article by A.P.K.]

[Text] Economic policy is still something of a gamble. The government, or at least some members of it, now recognize the impasse that has been created both by the inheritance that was left and the policies that have been accepted since. A new toss of the dice is now in order.

**I**n retrospect, the press conference that Minister of Coordination Apostolos Lazaris gave to the Foreign Press Association of Greece may well prove to be a turning point in the government's economic policy. In his usual quiet and reassuring way, the minister stressed once again his belief in private enterprise and reaffirmed that the investment incentives law would form a major building block of the road back to economic growth.

This much, of course, could have been guessed at the time that the government started accepting amendments to the initial draft it had submitted to Parliament. What is new and significant is the atmosphere that has been created, the intangible feeling that the time of dogmatism and experimentation is over, that the simple but hard facts of economic life are accepted as such, and that in spite of all reform zeal the basic structures of a free economy have to be respected.

This thesis is by no means subscribed to by all observers of Greek life. The alternative put forward by some reputable and seasoned politicians and technocrats is quite disturbing. According to this second view, the government is and will remain consistent with its philosophy — i.e. to its determination to carry out a major, deep and radical change of the basic structure of the economy and the society.

Private enterprise, it is claimed, will be allowed to operate only within a framework that will be sketched out by the government, and only in a way that complements the activities of the public sector. The role of the latter in economic life will continue to increase, as will taxation on profits and salaries, though not necessarily on wages. PASOK, according to this thesis, has every intention to remain in power for a long time, banking on the lack of effective opposition from the right and

on the inability of the left to gather popular support. The provisions of the incentives law that require state participation in all significant investments (i.e. in all projects in excess of \$10 million), most of the articles of the new labor laws, and the determined attempt to control most, if not all of the professional organizations, are cited as evidence in support of this thesis.

It is further claimed that within this context it is a major mistake to accuse PASOK of being inconsistent with its pre-election promises and announcements. On the contrary, it is argued, the government is behaving in a way that is to be expected from an essentially Marxist administration. In other words, it is proceeding with caution slowly implementing the reforms that it wants, but careful not to alienate in a major way some of most economically important sections of the population.

Thus, all pronouncements in favor of the private sector are to be viewed as nothing more than the traditional Marxist strategy of "peaceful coexistence," defined in the tradition of "two steps forward and one backward."

One event in particular is singled out to support this view. When the industrial group Bauxite Parnasse Mining Co. announced that it would carry out in the next few years investments to the tune of about 3 billion drs., one of the PASOK appointees at the TV network immediately decided to play up this decision as evidence of the trust that the private sector was exhibiting toward the government. It is reliably reported that the entire item was scrapped from the nine o'clock news bulletin on orders from "higher up," and with the explanation that "we do not care for private investment."

It is difficult at this stage to decide on the validity of the two points of view. One may easily fall in the trap of wishful thinking and accept the one or the other thesis, not on the basis of the merits of each one, but according to the outcome for which one is hoping. One more balanced and perhaps less prejudiced view would be the following: both of the tendencies described above exist within the party and the government. In some respects the party finds itself to the left of the government, though for the moment at least both tendencies are equally represented in the latter.

In this respect, the conscious and calculated decision of the Prime Minister to pay more attention to foreign rather than domestic affairs has served two purposes. One, it has forced the creation of an internal consensus which has given the government more freedom to carry out some of the reforms that it considered as absolutely necessary, not only from an ideological point of view but also as a means of maintaining its credibility. Two, it has freed the Prime Minister himself from the onus of any problems and mistakes on the economic front, and it has allowed him the luxury to be able to come back and implement a change in course with the justification that things have gone wrong. In this he will be able to use all of his considerable authority and his unchallenged position as leader of the party and the government.

The bottom line, of course, will come at the time of the

expected reshuffle of the government. The two crucial portfolios that everyone will be watching are the Ministry of Coordination, which will be renamed the Ministry of the National Economy, and the Ministry of Internal Affairs. Until that time, however, the following economic realities are cited as evidence of the fact that the government has no alternative but to change course.

One, the public sector borrowing requirement is expected to be much larger than the one that has been budgeted for. According to some pessimistic calculation, the entire public sector deficit may well reach 400 billion drs., which would mean that it would cover more than 15% of expected gross national product.

It also pointed out, at the same time, that real growth will not even reach the 1%-2% that the government has projected, with the result that in real terms the deficit will be larger than last year's. The increase in the PSBR is expected to come from the inability to achieve the targets of the budget, as far as both revenues and expenditures are concerned. Sources at the General Accounting Office are particularly worried about the question of expenditures which they consider grossly underestimated. Even further, it is pointed out that though this year the government may be able to bank on the proceeds that it will collect from all additional taxes that it has imposed, this venue will not be open to it next year.

Of course, the government is hoping that the recovery will finally occur next year, and, as a result, the taxable basis will be larger. This expectation, however, relies a lot on an uncertain outcome, as well as on an income-tax elasticity that simply does not exist in the Greek economy. Further, the pattern of expenditures and their rate of increase show no change, at least as yet. Thus one may be justified in expecting that the real danger to the economy lies in next year's prospects as much as in this year's outcome.

A second point that appears to influence government thinking in the direction of adopting a more realistic policy is the increase in revenues and in industrial production for the first three months of 1982. In spite of all the bravado with which the relative figures were announced, the government knows fully well that there exists no basis of comparison with the corresponding magnitudes of 1981.

Last year's figures were heavily influenced downward by the earthquakes. As a result, the percentage increase from 1981 to 1982 appears inordinately large, while in effect it is hiding some serious weaknesses in the projections and hopes of the administration. A third point concerns the rate of inflation. Again, in spite of all the optimism that is being expressed, it is now recognized that the average rate on an annual basis will exceed 25%, and that the year-on-year increase may well be larger than this. On an equal footing, the government is also accepting the fact that investment will decline once again in 1982, and that incentives are simply not enough to get private investors going.

The bellwether is considered to be the labor law. If the amendments that have been submitted finally go through,

then it is believed that both Greek and foreign private investors will take the risk. If they do not, the recession will last longer and the inflationary pressures of the economy will be harder to control.

Thus, it is thought, under the pressures of economic developments which do not avail themselves of dogmatic straight jackets, the government will be forced to adopt a more realistic policy that will entail the acceptance of the private sector as a full-fledged partner in the social and the economic equation. There are two additional factors that tend to support this view. One, the fact that there exists right now no alternative political leader of either party able to inherit the mantle of the Prime Minister. Two, the Prime Minister himself has shown a great degree of adaptability and flexibility in the changes that are occurring around him and a willingness to swim with the tide, even if this has meant the sacrifice of some ideological purity. As the trained economist that he is, it is very hard to see Andreas Papandreou unable to recognize where the further expansion of the public sector may lead Greece. If nothing else, the recent developments in France may serve as a warning to all concerned.

CSO: 4600/636

## NATIONAL INCOME MAY DROP AS MUCH AS SIX PERCENT IN 1982

Reykjavik NEWS FROM ICELAND in English Jul 82 pp 1-2

[Text]

Gloomy near-term prospects for this country were outlined in a revised forecast by the National Economic Institute (NEI) late last month — when a round of crucial wage negotiations, involving the largely blue-collar Federation of Icelandic Labour, was at a delicate stage. If the NEI report from March had served notice that a good deal of collective belt-tightening was in order, the new findings were much more disquieting.

Actually, the updated version consisted of two scenarios based on different premises. But even the more optimistic picture left no doubt that the outlook for the national economy had taken a turn for the worse since March, to say the least — and that the choice was between painful countermeasures and living alarmingly far beyond the collective means.

While the NEI March forecast estimated the decline in national income this year as 1%, the corresponding figure in the less dismal new scenario is 3.5%. According to the worse one, the setback may reach a magnitude of 6%. The first assumes a 12% downturn in fisheries production vs. possibly 20% in the second case.

Iceland's terms of trade were relatively favourable last year, boosting the gross national income by a notable degree, though the goods and services account showed a deficit amounting to 5% of GNP, nearly twice the 1980 level. The figure for this year may mount to 8-9% — even in the theoretical absence of general wage increases.

That outcome would follow from a continuation of disappointingly small demersal catches and extension of the ban on capelin effort until year's end.

Icelandic landings of cod, the mainstay of the national economy, totalled some 460,000 tons in 1981, but a comparable harvest of just 350,000 tons this year is a distinct possibility. While the take of capelin peaked in 1979 at approximately 968,000 tons, alarming findings on the once-teeming pelagic stock dictated the current interruption of what was the second most important fishery in this country during the 1970s (NEI, June, *Atlantic Fishing*).

When the National Economic Institute was ready to release the new sets of projections, on Friday night June 18, NEI Director Ólafur Davidsson made an appearance at a session of the wage-contract negotiators. As was to be expected, news of the updated forecasts fuelled speculation about the development's effects at the bargaining table.

Commented Minister of Fisheries Steingrímur Hermannsson (Progressive): "It is no secret that a 3% contraction in the national income would be a very serious blow. And a 6% decline would naturally make for a far worse problem... Special drawing rights for the commercial banks at the Central Bank, have been authorized, to make emergency credits available to the hardest-pressed fishing operators... But that is a temporary measure... If cod catches don't improve soon, some other steps will be necessary."

## ECONOMIC SITUATION, GOVERNMENT MEASURES VIEWED

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German  
21 Jun 82 p 2

[Article by vg.: "Netherlands: Government Continues Austerity Course"]

[Text] Amsterdam, 20 Jun--In the opinion of Van den Beld, director of the government's Central Planning Bureau, the economic situation in the Netherlands is disastrous. No revival is to be expected this year, and unemployment will continue to rise because of sagging consumption and a further decline in the use of production capacities in industry. The budget deficit of the state will continue to rise.

According to the central economic plan this development is attributed to the following factors: the negative effect of the retrogressive real income on private consumption, a decline in investments in spite of tax relief and dropping interest rates, increasing imports because of declining inventories, a generally unchanged production in spite of improved exports and higher industrial production (construction is declining).

Details of the 1982 plan reveal that the measures which have already been planned will not be able to reduce the budget deficit but that it will rise more slowly, from 8.3 to 8.5 percent of the national income. A larger deficit is not impossible, since the 1982 budget could fall short by an additional 2 to 3 billion gulden. The government will continue to make use of the capital market. To be sure, savings are increasing, and if investments in the private sector do not materialize, it is to be expected that financial markets will expand. The planning bureau is moderately optimistic about the development of domestic prices. It also stated that prices for imports are rising very little. According to preliminary estimates, the surplus in the balance of payments will increase from 8.7 billion gulden in 1981 to 15 billion gulden in 1982.

Only one day after the publication of the central economic plan, the new Van Agt Cabinet made public the contents of his government plans. While doing so, the urgency was emphasized of an active policy in the fiscal-social area. The intent is to stop the downward trend of the economy and to leave nothing undone that could have a favorable effect on the initial position of a new cabinet following the elections of 8 September. For one thing, according to Agt the profitability of enterprises is to be restored to enable them to invest again, because without investments the employment situation will only get worse.

What is urgently needed is putting state finances on a sound basis and stabilizing the collective tax burdens. The new cabinet wants to carry out the majority resolution of 11 May, which at that time had been the reason for the resignation of socialist ministers. According to Van Agt, these austerity measures, which amount to 8.5 billion gulden, are "the minimum requirement." He announced a few concrete measures which are to be discussed in parliament in the near future: a reduction in child subsidies, a freeze on certain social-welfare payments, talks with civil service unions to discuss ways and means for employment purposes, reductions in employer tax burdens beginning 1 January 1982.

Orders received: In April 1982 Dutch industries received almost as many orders as they did during the preceding month and they came from domestic as well as foreign sources. According to the latest economic report by the Central Bureau for Statistics in The Hague, enterprises felt that there was little change with respect to orders received, when comparing the volume to the preceding month. Four (5) percent said that the volume was high, 55 (56) considered it normal, 41 (39) percent complained about receiving too few orders. The index of orders received, based on 1978 = 100, rose by 1 point from 98 to 99. The general assessment of inventories was that it was about the same as in March, 41 (39) percent of the enterprises indicated that inventories were too low, 55 (56) said they considered it normal.

Production: Industrial production in the Netherlands was more or less the same in April as it was in March.

Labor market: At the end of April 1982 the unemployment rate was exactly 11 percent. For foreign workers it was even higher (end of March), 12.6 percent. For the first time foreign workers were listed separately in the statistics of the Ministry for Social Affairs and Employment. Compared to last month's figures, the total number of unemployed people went down to 482,662 (486,093) persons. Seasonally adjusted the number came to 504,200 (482,000) people. The number of job openings increased (not seasonally adjusted) to 12,361 (12,234).

High unemployment is still one of the most important topics and one of the biggest concerns in the Netherlands. Among the proposals that are presented again and again to solve the problem is the one that deals with reducing worktime. The Office of Culture and Social Planning at the Ministry of Culture, Recreation and Social Welfare, for instance, calculated that a 10-percent reduction in worktime would have created jobs for 425,000 people last year. Of course, the people who would have worked fewer hours would have earned 10 percent less in gross pay, their purchasing power would have been reduced by between 6 and 8 percent and 700,000 families would have to live below the minimum subsistence level. After Den Uyl, minister for social affairs and employment--who requested this investigation--left government, theoretical calculations of this kind fell by the wayside. It will be even more so in the future, since Director Van den Beld of the Central Planning Bureau is absolutely against reduced worktime as a suitable means against unemployment. In his opinion, reduced worktime and part-time employment will have to be studied a lot more. He pointed to France, where the idea of reducing the workweek by 1 hour is already being abandoned. Altogether Van den Beld predicts that the number of unemployed people in the Netherlands will continue to climb to an average of 525,000 persons.

Wages and prices: According to the most recent figures of the Ministry of Economic Affairs, the inflation rate in the Netherlands has remained at 6.8 percent. This development is disappointing, and price increases for 1982 are generally expected between 5.5 and 6 percent. For the first 5 months of this year price increases amounted to 2.9 percent compared to 3.6 percent from January till the end of May 1981.

Between the middle of April and the middle of May consumer prices rose by 0.3 percent. Of all the goods and services listed by the Central Bureau for Statistics in The Hague, 42 percent experienced price increases, and gasoline prices were a major factor in pushing up the index figures. Among the other items that became more expensive were meat and meat products, margarine and potatoes.

Foreign trade: During March 1982 the Netherlands exported goods in the amount of 14.5 billion gulden. It was an increase of 3 percent over March 1981 (14.1 billion gulden). Exports increased by 15 percent from 14.5 to 16.7 billion gulden. If the import and export of petroleum, petroleum products, ships and airplanes are disregarded because they are subject to strong fluctuations, imports rose by 2 percent and exports also rose by 15 percent.

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CSO: 3103/546

## BAYKAL ASSESSES REASON, PREVENTION OF INFLATION

Istanbul DUNYA in Turkish 8 Jun 82 p 5

[Text] Izmir (Dunya)--Suha Baykal, Izmir Chamber of Commerce council member, stating that the June tight money policy and measures undertaken to curb inflation were inadequate and mistaken, said this is so "because errors are being made in the diagnosis, and a curb on inflation is being sought through holding down demand."

Baykal, submitting that the high interest and tight money policy tried through the resolutions of 24 January was the same warmed-over dish served up despite the manifest inadequacy of its results and brought not help, but harm to the Turkish economy, said that our inflation has its origin not in excessive demand but in low production, high profits and high interest, that the tight money policy, along with steadily increasing high interest rates, which were put into effect in order to stop inflation, would work out just the reverse as long as planning measures are not introduced, and that prices would continue to climb.

Stating that in our nation, which is among the underdeveloped countries, consumer goods have not yet reached saturation level, and that trying to curb inflation by neglecting investments which would increase production and by constraining only our countrymen's buying power at a time when they do not possess all the essentials or even some of the modern conveniences of the day is unjust, Baykal spoke as follows:

"In order for the notion of restricting wages to check inflation to be fair, a prerequisite is the control of prices as well. Otherwise, failure to control prices, while holding only wages under control in the name of a free-market economy, will not stop inflation, and the negative effects on only the income distribution groups is being aggravated by the 'June' resolutions. The goal is to reduce inflation below 50 percent. The banks' understandings have been nullified and private-sector banks have begun to give 60 percent interest as official. The diagnosis of the June resolutions is mistaken, and the remedies administered are mistaken as well. Inflation refers to the increase of money in circulation in proportion to the volume of goods in circulation. However, if we consider the fact that in the last year the money available in our country, especially in the worker, clerical, and low-income small craftsman sector, has not increased, it becomes clear

that inflation has increased because of the scarcity of goods. The role of random expenditures in this is great. With the June resolutions, the money spigot is once more being turned off, and instead of measures which would increase production, a lowering of prices and a slowing of the inflation rate are sought, slipping a noose around the neck of declining purchasing power. This problem is the simple one. Instead of industries which would raise production, vertical and horizontal monopolies have begun to emerge. This time, however, instead of opposition to this, it may be said that a period of finance capital has begun, with a return to the banker-industrialist type in our economy."

Baykal, arguing that prices, which would increase due to the June measures, would again send the dollar higher, and that it was unfair to burden low-income clericals, workers and small craftsmen with the entire expense of recovery, said, "With the June resolutions, this time demand will be restricted, and the capacity for exporting certain goods will again be acquired because of the lack of internal demand while production is low. Until radical steps are taken will our economy proceed like this? It will because we are interpreting interest rates incorrectly."

Suha Baykal, ITO [Izmir Chamber of Commerce] council member, submitting that interest expenditures have reached twice the amount of production expenses in cost, that high interest has figured in general expenditures enormously, that profits have once again been held at the highest level, requiring concessions in the amounts paid to interest and those utilizing interest, that with production capacity increasing with a fixed number of workers, financing has become cheap because of increasing capacity, and that this was not, however, passed on to the consumer in 1981, said, "Quite the contrary, in a situation of 100 percent capacity, all risks are being covered by the consumer, with a view to profit margins. For all these reasons, I believe that the transitional measures and the Turkish economy are not in accord with Ataturk liberalism."

9962

CSO: 4654/351

## DOGAN EYES INTERRELATION OF CONSTITUTION, WORKER

Istanbul CUMHURIYET in Turkish 8 Jun 82 p 6

[Commentary by Yalcin Dogan in "Commentary" column: "The Referendum and Workers"; material enclosed in slantlines printed in italics]

[Text] It may be said that by now, somewhere, "it has been decided." At the end of October or, at the latest, in November, the new constitution will be submitted to a referendum. The qualities of the new constitution and its submission to a referendum are a unique /historic turning point./ And such a turning point brings with it a /specific working agenda:/ the Consultative Assembly will, after this, contend with the new constitution, which is its primary duty. At that time, implicitly, the agenda of the National Security Council gains importance.

There are before the MGK [National Security Council] several very important laws which concern broad sections of society. There are changes in laws Nos. 1475, 274, and 275 which concern union and nonunion workers, but especially unions--that is, bills providing for the reorganization of working life and union activities...bills which define the ties between workers and unions....

When considered in the healthy atmosphere of the capital, two issues relating to workers are to be taken up in connection with the submission of the constitution to a referendum. One is the laws noted above, the other the minimum wage, which has been the subject of heated debate in recent days. The submission of the constitution to a referendum introduces a new work-program agenda to the MGK and the government. According to this agenda, the bills of the laws which structure working life and unions /"will be considered only after the submission of the constitution to a referendum."/ At least such a trend has gained a certain strength in Ankara. Dealing with the bills which concern broad sections of workers and provide for their /"professional organization"/ is an important development toward securing /"the reformulation of these laws within an atmosphere more conducive to debate."/ Let us hope that this decision, now being made, will not be changed later, and that these laws which concern working life will indeed be considered after the constitution is submitted to a referendum.

Another issue related to the constitution's submission to a referendum is a trend toward increasing the minimum wage. The tendency in Ankara, despite entirely contradictory opinions, lies in the direction of a minimum wage increase this year. There is a strong probability that the commission which will raise the minimum wage will be called into meeting before the referendum.

A factor which strengthens the probability is the Turkish Confederation of Labor Unions' new chief Sevket Yilmaz, who is also the chairman general of the textile workers' union--that is, the head of the union organized among workers in the textile industries. The textile industry has an important characteristic: the branch of the work force where the minimum wage is most widespread is the textiles branch because textile production in general involves small shops and small work places. Production which is primarily widespread in the industry as contrasted with very large factories and plants is /"small production."/ Thus the number working for minimum wage is very high. In this situation, the new chief, Sevket Yilmaz, must have felt compelled often to bring the minimum wage up for discussion in talks with government members. The government also is, at present, leaning toward calling a meeting of the minimum wage committee, despite all kinds of contradictory statements. There is, however, an important condition: Severing the connection between the minimum wage and seniority pay. If the government reaches an agreement on this issue with the Turkish Confederation of Labor Unions, a commission to determine the minimum wage may be assembled in the coming days. Although efforts to set the minimum wage may take several months, a decision may be achievable even here on the issue of /"making the minimum wage retroactive to a certain date."/ In other words, the Turkish Confederation of Labor Unions will concede on the connection between seniority pay and the minimum wage, while the government will accept raising the minimum wage effective at some date in the past.

Specific concepts and theories gain significance when they can be implemented and come to life. The drafting of the new constitution and preparations for submitting it to a referendum must, in any case, be assessed within this context.

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CSO: 4654/351

## RALLY, EDEK LEADERS DENY 'ELECTION DEAL' AGAINST KYPRIANO

Nicosia CYPRUS MAIL in English 29 Jun 82 p 1

[Text]

**THE** rightwing Rally Party of Mr Glafcos Clerides and the socialist Edek party of Dr Lyssarides have both denied a report in «Haravghi», the official paper of the Cyprus communist Akel party, that they are working on an «election deal» to oppose President Kyprianou.

An official statement from Edek said this is «one more lie from the mouthpiece of the Akel leaders».

Mr Clerides told the Cyprus Mail: «We have not issued a statement because we have not considered the story worthy of comment».

But Akel leader Mr E. Papatheodou insisted to us that the report in the party's paper, which said Mr Clerides spoke about consultations with Dr Lyssarides during a Rally party meeting in Limassol, was correct.

Hints about Dr Lyssarides «counting» the support of the Rally were made by Akel deputy leader Mr A. Fantis in the House of Representatives during a debate on «government activities and public interest».

Haravghi, in its issues of both Sunday and yesterday made more concrete statements.

The report suggested that, though Dr Lyssarides and Mr Clerides are separate candidates for the Presidency, they are joining forces to stop the election of President Kyprianou who is supported by his own Democratic Party (Diko) and Akel.

The Haravghi report, under the banner headline «Black Front of Rally and Edek», said Mr Clerides admitted during a

party gathering in Limassol that consultations are going on for joint action if President Kyprianou is not elected on the first round. (He has to secure more than 50% of the poll for election or a repeat election will be held to choose one of two contestants with the highest poll).

**Not believed**

Mr Clerides reportedly said he did not believe Mr Kyprianou will be elected on the first round. Based on the last general elections, the Rally which had 32% of the poll would, with the support of non-party sympathisers lead the poll, followed by Kyprianou and Lyssarides third.

But, he is said to have added, Dr Lyssarides believed Mr Kyprianou would win the majority with himself (Lyssarides) second and Clerides third.

Mr Clerides is said to have stated that, in that case, Rally would not deny its votes to Lyssarides. He implied that if he (Mr Clerides) were to be the runner-up, Edek would support him.

The report quoted Mr Clerides as saying that if the election of Kyprianou seemed likely from the first round «Rally would move in time to foil it. That is why we continue our discussions with Lyssarides», he is quoted to have said.

The Monday edition of Haravghi took up the subject by saying that Dr Lyssarides may give up the Edek leadership and stand as a non-party candidate. It said talks were continuing for a single candidate for Rally and Edek, either Clerides or Lyssarides.

### Conciliation

Anexartitos, the Edek party weekly yesterday upheld the new slogan of Edek for a «Conciliation Front» and commenting on Haravghi's headline of «Black Front» asked whether Haravghi would still call it a «Black Front» if Clerides decided in the second round, to give Rally votes to Kyprianou instead of Lyssari-

des.

It also asked Haravghi to say to whom Akel would give its votes, Lyssarides or Clerides, if Kyprianou is eliminated and the second round is between these two.

The paper follows the Edek point that neither Clerides with his «anticommunism» nor Kyprianou with his «weakness» can save the country and that Lyssarides is the only choice.

Besides, it says, both the pro-western theories of Mr Clerides (a solution can only come from the West) and the pro-Soviet theories of Akel (salvation can only come from Moscow) have collapsed since the Lebanese events and what is needed is a «salvation front».

The official Edek statement yesterday, denying the report of its collaboration with Rally said:

«This is one more lie from the mouthpiece of the Akel leaders. It is aimed at stopping leakage from its own members who refuse to vote for Kyprianou.

«The Lyssarides candidacy for the Presidency is getting growing support and this worries Akel's leaders. They realise (as Haravghi indicates) that the final contest will be between Lyssarides and Kyprianou. This is the reason for the lies and the utter confusion in the Akel leadership.

«With its lies and slanders, Haravghi is trying to get the «joint venture» (Akel-Diko) out of deadlock and to save it from the outcry against the minimum programme, against the insults to Papandreou, and against the many scandals which the Kyprianou administration cannot conceal».

CSO: 4600/628

## DURDURAN RETAINS CLP LEADERSHIP

Nicosia BOZKURT in Turkish 14 Jun 82 p 1

[Text] Nicosia--Alpay Durduran has been reelected as chairman general of the CLP [Communal Liberation Party]. The fifth convention of the CLP was held yesterday in Nicosia. At the convention, held in the Misirlizade Theatre, Alpay Durduran, the only candidate for chairman general, was reelected to the chairman generalship by an assenting vote of about 200 delegates at the convention, as against four opposing votes.

Later at the convention an election was held for membership in the party assembly and supreme disciplinary council, and members who would be included in the party assembly and supreme disciplinary council were determined. In addition, the reports of the party assembly and the financial and supervisory councils were discussed and adopted at the convention. Proposed rules changes were postponed upon the adoption of a proposal entailing the gathering of a rules convention 6 months hence and consideration of the proposed rules changes on that occasion.

The fifth convention of the CLP concluded later with discussions regarding party and societal issues.

## Durduran's Speech

CLP Chairman General Alpay Durduran, in a speech given at the convention, noted that efforts had been made to spread rumors to the effect that there were within the party supporters and opponents of the coalition, and said, "This is decidedly incorrect; the CLP has determined all its actions within its own democratic bodies and in complete accordance with democratic rules and has made both the preliminary and final decisions as to discussions of the coalition unanimously."

Later Durduran, dwelling on the actions of the government, said that the present coalition was in a position frightening to the people and in contradiction to both domestic and foreign policy. CLP Chairman General Alpay Durduran, noting that the government in which the NUP [National Unity Party] was prominent was the same in its conduct as the NUP before the election, criticized the foreign policy followed by the coalition and summarized it as follows:

"In order to gain effectiveness in foreign policy, it is necessary to be realistic, to arrive at correct solutions, and to view foreign policy from proper perspectives. The CLP has put forward these perspectives in its program in a very clear fashion. And anti-imperialist perspective will be adopted, and foreign policy will be assessed accordingly. In this way, without doubt, courses of action which will prove to solve problems may arise of their own accord."

Durduran later touched on the Cyprus issue and summarized it as follows:

"At the present time, Papandreou is pursuing a policy of drawing the Cyprus issue into the international arena and internationalizing it. Gradually his pace is being slowed because he cannot find sufficient support, and virtually every door he knocks on closes in his face. There are two societies in Cyprus. Negotiations are being conducted between these two societies. In order for results to be derived from these negotiations, all efforts must be employed and all forces must be mobilized. The efforts must be intensified. After these things are done, trying to solve the Cyprus issue elsewhere is pointless."

#### The Draft Resolution

In addition, the draft resolution adopted at the fifth convention of the CLP was made public. In Nicosia, Mayor Mustafa Akinci's draft resolution, which touches on recent developments in Lebanon, Israel is condemned for its actions in the Middle East. In the resolution, the CLP's solidarity with the Palestinian people in opposing Israel's cruel aggression is voiced, and it expresses its convictions that the Palestinian people will achieve complete victory in the struggle it is waging against imperialism.

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CSO: 4654/360

## BRIEFS

KYPRIANOU MEETS BROTHERHOOD--President Kypranou, speaking at a dinner in his honour by the Greek Cypriot Brotherhood in London reiterated the pledge that the right of Cypriot refugees to return to their homes will not be abandoned. He referred to his visit to New York and the talks he had with the UN Secretary General and stressed that the objectives of the Cyprus struggle remain unaltered, a truly free and independent Cyprus. Greek Cypriots have made all concessions and cannot be blamed for the non-progress in the intercommunal talks. "We have shown utmost goodwill but unfortunately there has been no response", he said. He accused Turkey of trying to change the demographic character of the island and said it would not be possible to accept any solution with the presence of Turkish settlers from the mainland. Mr Kyprianou also referred to the question of the missing persons and said that efforts are being made for a working group of the Human Rights Commission in Geneva to visit Cyprus. He summed up the objectives of the Cyprus struggle thus: "Restoration of full freedom, safeguard of democracy and justice, and the restoration of the rights of the people. Among the guest were the Greek Ambassador in London Mr E. Lagakos, the Cyprus High Commissioner Mr T. Panaghides and leading figures from the Cypriot community. [Text] [Nicosia CYPRUS MAIL in English 19 Jun 82 p 1]

NO DEVALUATION OF POUND--The government spokesman has denied that the Cyprus pound has been devaluated towards the American dollar. What has happened, the spokesman explained, is that the dollar has been revalued towards all other currencies. "There has not been nor is there any question of a devaluation of the Cyprus pound", he said. The Greek Cypriot daily Simerini quoted yesterday the Governor of the Central Bank and former Finance Minister, Mr A. Afxentiou, as saying that the new dollar values would have been additional cost for Cyprus's oil bill since purchases are in dollars, otherwise there will be no other effect. The dollar upgrading may have a beneficial effect on the Cyprus reserves, Mr Afxentiou added. [Text] [Nicosia CYPRUS MAIL in English 20 Jun 82 p 1]

EEC DISAPPOINTS ROLANDIS--Foreign Minister Rolandis yesterday expressed regret and disappointment that the EEC Council of Ministers at their meeting in Luxembourg this week have been unable to decide about the terms of reference for the negotiation of a new regime for Cyprus exports to the Common Market. The Cyprus government has been pressing for improved terms for its agricultural exports but the failure of the EEC Council of Ministers would mean that the

present position will go on for an indefinite period. "This unpleasant development not only adversely affects Cyprus's interests but also created additional obstacles in the development of relations between Cyprus and the European Community", Mr Rolandis said. "It is a pity that this development, which is exclusively due to EEC internal problems, was the result of the negative stand of friendly countries of which more understanding was expected on the Cyprus positions. "It is also a pity that the provisions of the 1972 and 1980 agreements are not applied although the Cyprus government is ready to fully comply with them and it has repeatedly made this clear", Mr Rolandis declared. The question will be considered tomorrow (Friday) by the ad hoc Ministerial Committee dealing with Cyprus/EEC affairs and then it will be taken at Council of Ministers level to decide on further moves. [Text] [Nicosia CYPRUS MAIL in English 24 Jun 82 p 1]

DEFICIT NO PROBLEM--The Cyprus government yesterday assured that the budget deficit is not such as to cause worry and said that the island's reserves are by much higher than the accepted "safety levels" and are enough to cover six months of imports. The statement from the Ministry of Finance was issued in reply to a report in the Greek Cypriot opposition daily "Alithia" which drew attention to a question tabled in the House by Rally leader Mr Clerides asking if it is correct that the deficit runs to £4 million a month and that the government had sought or obtained a 70 million dollar loan from a foreign consortium of banks. The statement explained that the deficit is not a secret and is appearing in the budgets, it has been a phenomenon inherent with the Turkish invasion and the measures needed to reactivate the economy and meet the requirements of the refugees. The statement says that resort to foreign borrowing is not uncommon as an international practice and internal borrowing is so low that it poses no problem for banking deposits and their lending ability. The Ministry confirms that there are negotiations for a foreign loan but it gives no amount and says that it is not correct that the conditions are harsh. "On the contrary", the Ministry says, preliminary contacts with the banks consortium reveal that the terms are more favourable than those demanded for previous loans which is an indication of international confidence in our economy". The Ministry denies as incorrect the claim in the "Alithia" report that the government is facing a problem of how to pay the public servants salaries. "The liquidity of the public sector is maintained at satisfactory levels", the Ministry says. [Text] [Nicosia CYPRUS MAIL in English 24 Jun 82 p 1]

CSO: 4600/622

## BERLIN'S ALTERNATIVE PARTY DEBATES STAND ON VIOLENCE

## Demonstration against Reagan

Hamburg DER SPIEGEL in German 21 Jun 82 p 30

[Text] The street terror during Reagan's Berlin visit is pressing the Alternatives to resolve their position unequivocally on the use of violence.

Rocks were flying, window panes shattering, cars burning and blood was flowing once again--even by Berlin standards, as the fire department confirmed, all hell was breaking loose on the day that Reagan arrived.

While 20,000 selected citizens were applauding the U.S. President at the Charlottenburg Palace, rage and hate were being unleashed at the Nollendorfer Platz in the district of Schoeneberg against the representatives of Berlin's protective power and his German escort.

Berlin's administrative courts had banned a demonstration during the President's visit which had been applied for by the Alternative List (AL), yet 3,000 mostly militant demonstrators could not have cared less, including the cosponsoring AL.

West Berlin gave all appearances of being an "occupied area," declared the Alternatives, and "democracy" was being reduced to "dumb-struck freedom of thought." Representatives of AL called for disobedience to the court-ordered prohibition even though troublemakers had arrived in town from all over West Germany. The outburst, with its hundreds of injured and several hundred thousands of marks in damage, was predictable.

Now the Berlin city government is checking into the possibility that the Alternatives can be held responsible for the resulting damages. The public prosecutor's office is examining whether several AL members of the city council who gave active assistance to the militants can be held accountable under criminal law. And among the Alternatives themselves a decisive confrontation is looming over the moot but basic question, until now played down by its members, of the AL's attitude toward violence.

In programmatic terms, and in an effort to hold on to its following, ranging broadly from green to red, and not to have to take a definitive position, the AL has contented itself with such cliches as: "We didn't invent violence, we found it here already." Its spokesmen have tended to avoid the issue in position papers and in open debate forums with such formulations as, "the forms of resistance and resistance actions must be determined by those who are themselves affected."

There have been occasions, however, when it has become clear that there are a number of differing sets of assumptions within the AL. "I hate violence in any form," was the response of AL city council member Prof Martin Jaenicke. Council member Rita Kantemir, on the other hand, when the question of an amnesty for apartment house squatters arose, stated in the Schoeneberg city hall, "rocks can be arguments if those in power refuse to eliminate those conditions that have been denounced."

After the spectacular "Sunday stroll" through Berlin's Grunewald last summer, when 6,000 demonstrators under the direction of the AL made "an inspection tour" of the properties of 21 identified real estate speculators and brokers, AL city council members Klaus-Juergen Schmidt and Michael Wendt did make an effort at critically evaluating their own undertaking. Surprised by the general feeling of outrage ("individual terrorism," "psycho-terror"), they mused over whether this might not have been "a modern form of pillory" and allowed that "there could perhaps be some discussion of this."

Now, however, since the issue is no longer apartmenthouse squatting but peace and disarmament, there is no longer any room for convoluted interpretations. More moderate Alternatives no longer want to take part in the intellectual tight rope act and are pressing for a clear statement from the AL on its nonviolence. As AL co-founder, attorney Otto Schily, put it (see interview on p 32), "the only way we can demonstrate for peace is peacefully."

Roughly 1 year after the 7.2 percent election success of the Berlin AL and after the serious opposition efforts of their nine council members in the areas of health and social policy, immigration and, particularly, housing policy, Schily followers now see the credibility of their political convictions endangered.

At land and local government levels, where the AL has gained seats in four city councils and almost all regional parliaments and where the fear of contact between the Social Democrats and the Alternatives is visibly diminishing, bi-party initiatives have occurred, as in the case of trying to deal with the problem of apartmenthouse squatters in Berlin's Kreuzberg district.

Berlin's governing mayor, Richard von Weissaecker (CDU), probably concerned for the need to integrate the AL, was cautious in his recent criticism of the party: "Those people who, wittingly or unwittingly, have given organizational assistance or intellectual legitimation to potential practitioners of violence through their call for a prohibited demonstration, I urge to come to their senses."

"The nonviolent people have to become bolder and the militants have to become more reasonable" was heard from the ex-communarde and AL strategist Dieter Kunzelmann, who is counted among the radicals and hopes that the "witch hunt" against "the justified effort to disrupt a third-rate Western" will soon be over.

In a self-critical session of the AL council of delegates on Monday of last week, a hastily composed draft resolution was proposed, signed by Jaenicke, Schily and others. The key sentence of the paper, which is likely to find the support of most of the AL members of the city council, stated that "the AL will be finished politically if it creates the impression that it is going to provide, again and again, the stage and the audience for the rioters in the street and then create an apology in the media for itself."

#### Interview of Spokesman

Hamburg DER SPIEGEL in German 21 Jun 82 p 32

[Interview with Otto Schily, Berlin Alternative Leader: "'We Should Not Be Filling the Hospitals'"; date and place of interview not given.]

SPIEGEL: Ever since its founding, the Alternative List has avoided making any definitive disclaimer of violence. During President Reagan's visit excesses took place for which members of the AL were at least partially responsible.

Schily: Throughout its existence the Alternative List has made itself visible through many impressive peaceful demonstrations which sought to attain their peaceful goals through peaceful means. Unfortunately, recent events have caused some uncertainty to arise. This is why a statement by the AL with no ifs, ands or buts is necessary, making it clear that the AL condemns any type of violence.

SPIEGEL: On the keynote of peace your plea for nonviolence might get a majority in the AL. But there are also representatives of those who call themselves autonomous who maintain that, particularly in apartment occupations, violence is justifiable as a legitimate means of resistance. Can the AL afford to make an ambivalent commitment to nonviolence?

Schily: Generalizations are dangerous. Most of the autonomous members, as far as I know, are gentle people and in no way fixed on street riots. Occupation of vacant apartments is, in my mind also, thoroughly legitimate. There is no difference of opinion within the AL on this point. But the AL has got to be very careful not to get too close to those groups which maintain that the apparatus of the state must be confronted head on and dealt with offensively through violence.

SPIEGEL: On 11 July things looked different. During the Reagan visit your friends from the AL did tolerate street riots that were directed "head on" against the "apparatus of the state."

Schily: This tentative intention that you ascribe to the AL, in my mind, never existed. But the AL did behave very negligently and did close its eyes to what could have happened if the appeal for demonstrations were to be followed through.

SPIEGEL: At the AL council of delegates meeting last week, there were many people from the hard core who were heard to say that you could not "disavow" the throwing of rocks, the building of barricades and setting of fires.

Schily: The AL's political credibility will depend upon its taking a clear stand on the issue of violence. This doesn't mean that we can leave it at just a disavowal of violence; the AL also has the political task of making the public aware of what the social causes are that have led young people into the mistaken belief that the apparatus of the state must be combated through violence. This is especially important in West Berlin, the city with the highest rate of unemployment among young people.

SPIEGEL: Can the AL survive an internal confrontation on the issue of violence without an internal rupture?

Schily: Unfortunately, the process of moulding opinion within the AL has become far more difficult as a result of the enormous pressures that are currently being exerted upon it. The rightwing political forces in this city, from quite transparent motives, are trying to intensify their pressure in such a way, through threats of our abolition, demands for restoration of damages, media campaigns and anything else that occurs to them, that the wrong kind of support is beginning to build up around the AL.

SPEIGEL: Aren't you confusing cause and effect? The pressures upon the AL that you complain of are in fact a reaction to the rock throwers at the Nollendorfplatz.

Schily: No. It's certainly clear that the moral kangaroo courts that are now being convened everywhere are intended to drive the AL out of the parliamentary spectrum.

SPEIGEL: But won't the upcoming internal confrontation serve to diminish the esteem among the city's citizens that has been building up as a result of your parliamentary efforts?

Schily: The question is not the reputation of the AL as solid citizens, but whether the AL will remain faithful to an important element of its political credo--the humanization of politics and interactions among people. Responsible political behavior, as we all know, means keeping in mind the direct and indirect consequences of political decisions. It is the duty of the AL to make its contribution to this end so that the prisons and the hospitals don't become filled to overflowing as a result of violent confrontations.

A rigorous and unambivalent discussion within the AL will enhance its image among the people and will collapse the attempt of the traditional parties to

divert attention from the city's real problems by the media's focussing attention on the street riots.

SPEIGEL: Assuming that the AL were willing to enter a coalition--the Social Democrats are hardly going to admit as partners anyone who has not swept away any doubts about their commitment to nonviolence.

Schily: We can't comb out all our kinks just to please the SPD. The SPD itself in the past has had to answer for a large number of violent confrontations under different circumstances, without having drawn any clear political conclusions. I expect that the self-critical examination of the AL will set an example even the SPD could follow. Perhaps in the future there could be a productive cooperative relationship between the AL and the SPD.

SPIEGEL: And if the AL does not meet your standards for examination?

Schily: Then it will wind up on the political sidelines.

9878

CSO: 3103/534

## SPD/FDP COALITION CONTINUES QUARRELS AFTER BUDGET

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 6 Jul 82 p 3

[Article by Claus Gennrich: "In the Coalition It's Everyone for Himself"]

[Text] Bonn, 5 July—Even the most somber prophets in the Bonn political parties were unable to predict how quickly and violently the hammerblows would rain down on the coalition even after the budget compromise had been achieved. There had been hopes for a short respite, for a few weeks at least until the election campaign in Hesse. But that did not work out. The two partners are attacking each other again without interruption as if driven on by the dark forces of self-destruction. The fear of catastrophe is eating away at the platform to which the SPD was trying to hold a reluctant FDP until 1984. Mutual distrust among the partners is greater than the fear of the opposition which merely stands by and watches. Both are looking for something to hold on to in case things go wrong. The FDP is looking in the direction of the CDU although it just missed an opportunity there and the SPD is looking to the Greens although that camp includes a great many leftwingers inimical to the chancellor—a fact that cannot be overlooked. Almost unaffected by the paralysis occasioned by deep rifts inside both parties, the fear of the future is driving the two coalition partners apart once again. The cries of victory after the budget compromise have given way to no longer concealed threats.

Brandt says he would be foolish to exclude the possibility of a Bonn coalition between the SPD and the Greens and Alternatives. Genscher accuses the SPD of pursuing a seesaw policy. What he really means is that they broke their word in Hamburg both to the voters and the FDP and will do so again elsewhere in turning toward the Greens. The election campaign—not only in Hesse—has already started; the distinction between Wiesbaden and Bonn drawn by Mischnick has been all but obliterated. Genscher must be worrying about the fact that it might seem ridiculous to push for a coalition with the CDU in Hesse in order to keep the Schmidt government in power in Bonn. Now that Bonn has not opted for the Hesse shift—as an example and signal—the FDP might get caught in its own arguments. A small party can afford a struggle between its two wings less than a large party can and things get even more dangerous, if it starts turning somersaults. The time is past when the FDP could chart a different course from Bonn in the Laender—almost effortlessly, it seemed. The situation in Bonn is too confused for that now. Both the inclination and the lack of ability of prominent FDP politicians are too obviously centered on extricating themselves from the coalition and trying for a new deal. That is why every word spoken in Bonn these

days sounds so nervous. Since the do-or-die coalition could not be dissolved; since there is no expectation of a joint victory in the 1984 elections and since the Hessian election campaign has already started in Bonn, there is desperation and not just doubt all over. To save his own skin, everyone is going at everyone else.

There is hardly a politician as closely tied as Economics Minister Lambsdorff to the concept that the economic system of the FRG must be defended against SPD attempts to introduce more state dirigism. In the 1980 election campaign, he was touted to the voters as the "Erhard of the eighties" by the FDP as if making a promise of stability. Lambsdorff knows that the SPD attacks against "neo-conservatism" are aimed at him, even if it is the chancellor who mounts them. For Genscher, the dispute about the economy and money may be just one aspect of the political scene. For Lambsdorff, it may be the rope to hang on to or to hang himself with. Genscher was quick to link his worries about the budget to the Greens. "Who can be expected to invest, if no-growth coalitions between the SPD and the Alternatives seem already decided upon?" Last Monday, in front of the FDP presidium, Genscher put that question to the social democrats at city hall in Hamburg and at the Ollenhauer-Haus in Bonn—in other words to Dohnanyi, Brandt and Goltz.

For some time now, Lambsdorff has had his doubts about the political steadfastness not only of Brandt but of the chancellor as well. Any erosion of the philosophical framework of the market economy saps Lambsdorff's strength politically and makes him suspicious and ready to defend himself.

When there was a dispute in the cabinet last winter about how to tax limited partnerships and Schmidt had some critical words to say about businessmen, Lambsdorff saw his worst fears confirmed in that the chancellor reverted to socialist dogma whenever times got bad. Even then, Lambsdorff sustained scars from fights he did not win. But it was not Schmidt as much as Genscher who had given them to him. During the budget battle last fall, Genscher prevented Lambsdorff from jumping ship after he had already made his first move. Now Lambsdorff is told that he and Scheel tried to get their party out of the Bonn coalition without success. Mischnick and the leftwing "veto minority" as well as one-half of Genscher but most of all Schmidt's skill prevented the shift. Lambsdorff knows that this alliance can turn out to be a noose around the FDP's neck in coming election campaigns and budget battles next year, if the party cannot find a way out. He also knows who is putting the screws on the FDP—not only that part of the SPD which reaches all the way up to Brandt but also Ms Schuchardt and the many undecided in the FDP who acted the part of SPD allies during the last go-round.

But even the monument of heroic fighter Lambsdorff is beginning to show some cracks. The confusion he caused by vacillating on the value added tax issue was followed by rhetorical fireworks concerning the funding of the investment subsidy. At times, he almost seemed like a man ready to give up to members of the Bundestag budget committee; but then he would turn around and prepare and carry through negotiations as brilliantly as ever. But when

Genscher queried the members of the FDP negotiating team one after the other on their position with regard to linking income splitting for married couples with cost sharing of hospital bills, Lambsdorff merely voiced some reservations and let it go at that. At the conclusion of the meeting, he mumbled something about not considering the compromise a particularly good one but not bad enough to make him resign his post.

The sickness unto death which Lambsdorff would have liked to see the FDP avoid might seize hold of the party, if it is weakened by the Hesse election and if the two wings of the party blame each other for that state of affairs. Still another substantive dispute which might make it plausible for the left wing of the party to leave the Bonn coalition is not likely to arise in time—which probably means that the "third force" will be able to recover. Their own rank-and-file will blame the FDP for opportunism even if it decides to break out of its paralysis—as it just did in Hesse—shortly before the Bundestag elections take place. Just now, neither Genscher, nor Lambsdorff—going it alone—is willing to risk his political career in order to force a change against the will of the vacillating, contradictory and even threatening members of the fraction. Once the "trend" toward the center and toward the CDU/CSU which Lambsdorff has detected makes itself felt all the way from the regional FDP party congresses to the top decision-making bodies of the party, the time may be past when this might have served as a vehicle for survival and this delay might devour many a politician.

9478

CSO: 3103/566

## SPD STRATEGY FOR SCHLESWIG-HOLSTEIN ELECTION NEXT MARCH

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 26 Jun 82 p 2

[Article by Friedrich Karl Fromme: "With Engholm for Schmidt and Jansen"]

[Text] Although there have been considerably more than 100 Landtag elections since the 1940's, there have been very few instances when changes in the relationship of power in a Land were a direct result of elections; the last time it happened was in Berlin last May, but there were complicated circumstances that led to the CDU minority government. The FDP announced a coalition change for Hesse this fall; one will have to see what the effect will be. In Bavaria, a little later, there is little chance for a change, but soon thereafter, on 13 March 1983, there will be elections in Schleswig-Holstein. The CDU government under Stoltenberg has a slim majority (but it came about in 1979 when conditions for the CDU were precarious throughout the FRG). Although Chairman Tonneburger will probably not be very happy about it, the FDP will doubtlessly steer toward a coalition with the SPD, and the SPD is preparing for the election very carefully, almost totally untouched by the party's misery in Bonn.

This time the SPD will use Engholm, FRG minister for education, as its "leading candidate" (the final decision will come in October). He was born in Luebeck, represents a Bundestag constituency, is a member of the Land party without, however, being tied to it because of any functions. He considers himself "left of center." At any rate, he will remain FRG minister, in other words, he will be able to appear with official insignia. Engholm is quite a bit younger than Stoltenberg and looks even young. It is certainly not a disadvantage in spite of the fact that Schleswig-Holstein people are set in their ways.

Nevertheless, the SPD will have to try to downplay the connection between his membership in the Federal Government and his leading candidacy of a notoriously leftwing Land party. One issue involved is a discussion which has been going on for some time on a new program of principles for the Land party. The internal dispute within the party will continue and is supposed to continue at the time of the election: Whatever will be written in the provisional draft of the program can simply be referred to, if necessary, as the "state of the discussion." To be sure, at the beginning of June, at a Land party rally in Husum, the draft was shifted even more to the left. The discussion was about the "removal of all kinds of class differences" (particularly the terminology

is interesting), even the word "socialist democracy" (something different from the customary word "democratic socialism") was used. The demand is for "more equality in the distribution of labor, property, income and power."

In the FRG there exists "a growing gap between much wealth, little wealth and income"; this sentence was adopted and during the party rally it was repeated again and again, yet it is sufficiently known that during the last few decades (the process did not only begin with 1969, but it accelerated at that time) low, middle and high income have been pushed closer together. Between a steadily employed skilled worker and a high school teacher, for instance, there is very little difference in income. The inflationary rise in income without increases in purchasing power leads to a steeper and steeper curve of taxes and levies as a function of the level of income; as a consequence, the claim is inaccurate which the SPD is making again and again, according to which people with higher income have not yet had to make any contributions to budget restraints. Between the lower and the upper level of the medium income group the boundary fluctuates considerably depending on personal circumstances, beyond which it is no longer worthwhile to try "to get ahead," as it was called at one time, because all at once all possible "transfer payments" stop. This trend, the process of adjustments, can be called good or exaggerated: The claim that there are no adjustments is a sign of ideological blindness or a simple attempt of fostering social envy.

Schleswig Holstein's SPD wants to put together a special program for the Landtag election. It is to be short and free of ideology. It can only be accomplished if the ideological dreams of the active segment of the party--they are, more than in otherwise customary within the SPD, young academics, mostly entry-level careerists, and patronized civil servants--can be diverted to the program of principles. It is easy when it comes to counterarming. To be sure, the next to the last Land party rally decided last September in Harrislee to eliminate the counterarming part from the NATO double resolution. But the party leadership can say that, first, counterarming has nothing to do with a Landtag program and, second, the Munich federal party rally in April decided to table counterarming until the end of 1983 and to continue discussions until then: And that is exactly what the Land SPD is doing.

Nuclear energy presents a more difficult problem. The Harrislee party rally also decided "to bail out" of nuclear energy by the end of the decade. Nevertheless, the Krümmel nuclear power plant--which is about to be finished--and Brokdorf--which will take a few more years--are under construction in Schleswig-Holstein. Jansen and Engholm want to include in the Landtag election program a statement saying that the SPD would comply with whatever it finds when assuming the government in Kiel. Nevertheless, the construction of the two nuclear power plants is to be continued. The operating license, however, should only be granted after the waste-disposal problem has been solved. It sounds humane, but the idea makes little sense of first investing billions in constructing these plants and then letting them stand as ruins. But the party rally in Husum decided on the spot to include in the program of principles the Flensburg resolution of "Stop nuclear energy." It will be difficult to keep it out of the platform.

Similar things can happen with respect to the surtax and the labor market levy, which is to be paid by self-employed people. Engholm was very emphatic in Husum in his demand for both of these taxes and he recieved much applause. The party rally passed the resolution. If this were a "leftwing" position in the SPD, Boerner of Hesse would also be a leftist. As a compensation he offered to the fleeced "bourgeoisie" his roof-lath statement. Also in Schleswig-Holstein there was hardly anybody who would say where to start and who the people are who are the "better earners," in other words, who would have the privilege of paying the surtax. Consequently, anybody who get DM 4,000, DM 5,000 in gross pay, which is barely enough to make ends meet, will feel that he could not be considered a "big earner": The awakening will come later. At any rate, Egholm marked the lower limit of the surtax carefully: He referred to the civil-service pay scale A 12, the maximum base salary of which is DM 3,500. And he said that it is impossible to collect enough from "millionaires" for all the things that are wanted (expansion of social serivces, more money for education and programs to create jobs). It contains another confession. Because whoever is a "millionaire" today is comparable to a person who had DM 100,000 in savings before the war. It was not bad but far from being adequate to guarantee economic independence. Although he said that the surtax "may be temporary," Enghold made it clear that it was to be permanent.

The Husum party rally became unpleasantly concrete when it decided flatly and pleasantly that people who had their own private health insurance were something like deserters from the solidarity union and they should return to the complusory insurance. For this purpose all income--including overtime or interest on capital--is to be included to calculate the contribution. Just a little while earlier, Landtag Deputy Boernsen, truly an experienced leftist, had admonished the party rally to strive for debureaucratization in social policies, even if it may lead to agreements with the CDU; but it was of no use. Incidentally, there will be many workers who will not be happy at all when their passbook interests will not only be taxed but will also be subject to social security contributions, which means that the balance is practically surrendered to the inflationary beast.

While the party leadership will try here to keep the Landtag program free of clearly defined formulations which would even frighten the Schleswig-Holstein FDP, reversely it will make sure that the trace of "Green"/Alternative flavor surrounding the basic-principle draft will also be reflected in the Land program. Because the Schleswig-Holstein SPD is trying--it is least difficult among the regional party organizations--to steel voters from the "Greens"/Alternatives, who are still experiencing a lot of internal turmoil in the Land. The executive-committee draft, which was already sufficiently "Green" (abandonment of growth; establishment of an "ecolocially oriented economic order"), was supplemented with the "Alternatives" in mind: As far as contradictions between economic and ecological goals "are dependent on the capitalist economic order itself, this circumstance is also sufficient reason for a fundamental change of this order." In Husum Engholm made an incidental statement that attracted little attention, saying that although he was a supporter of the market economy, it should not be a capitalist one. Then he talked about alleged "successes" that had been achieved by applying market economy elements in Hungary and even in the GDR; How much these observations reflect reality may be a different matter altogether.

Consequently, as the Schleswig-Holstein SPD is beginning its election campaign, it is not without contradictions. But it can count on the fact that most of the voters are neither interested in the basic-principle programs nor in the Land programs of a party. The constellation of the personalities could attract more attention. There is Matthiesen, the leader of the parliamentary group, who resigned after attempting twice to become minister-president (and who since then has gained considerably in stature), then there is Land Chairman Jansen, a leftist who possesses the charm of absoluteness and who is not without ingenuity and for a while it seemed that the leading candidacy was his, and then there is FRG Minister Engholm who is becoming the leading candidate. He can only look on; he has to be close to his party and distant simultaneously. All three of them are determined to play their parts. There will be few disputes (big enough to attract the attention of the general public). But in the Land CDU there will not be any personality clashes either in view of the recognized superiority of Stoltenberg. Nevertheless, more than anything else things will depend on Bonn and the kind of wind that will blow from there in March 1983. And right now nobody knows what it will be.

8991

CS0: 3103/543

## FDP STRATEGY IN HESSEN ELECTION CAMPAIGN

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 25 Jun 82 p 3

[Article by ptn: "Hessen FDP Does Not Want to 'Embrace' CDU; Self-Critical Search for a New Relationship Before the Election"]

[Text] Wiesbaden, 24 June--Hessen's FDP has promised to carry out a "fair election campaign" without defamation of persons. It reacted thereby to the demand of the CDU deputy chairman, Mayor Wallmann, that the FDP must decide whether in the forthcoming election they want to engage in polemics against the CDU and its leading candidate Dregger or whether they want to work toward political cooperation with the CDU. The deputy chairman of the FDP faction in the state legislature, Schmidt (Kassel), granted in Wiesbaden that Wallmann warning was justified. In the past, the FDP made the mistake of strongly attacking Dregger personally; this now makes it difficult for it to make the party changeover plausible to the voter. According to Smith, the FDP must learn from this that controversies between the parties must direct themselves to issues, not against persons.

However, according to the views of the FDP faction head, "no embracing of the CDU" can be expected. The FDP must engage in political controversy with the CDU whose absolute majority they would like to prevent--just as in 1970, they stood in opposition to the FDP which governed with an absolute majority, offering it at the same time a coalition. After all, the FDP is striving to some degree for the support of the same voters as the CDU. The FDP, defined by Schmidt as the "party of the new middle class," is fighting for the votes of trained and skilled workers, employees, civil servants, professionals and the self-employed, hence for votes which the CDU could surely do without. According to Smith, the FDP is in the process of reentering the "center of the political spectrum;" many who were close to the FDP but did not belong to it have been waiting for this. This will show itself shortly by increasing membership numbers.

In a talk with this newspaper, Schmidt said that in the past 12 years his party has "rather naively succumbed to the spirit of the times," for instance in its school policies. The announcement of the "extraparliamentary opposition" at the end of the 1960's that they were about to start the "march through the institutions" was underestimated and the opportunity to move against it in time was missed; the hope that it would work itself out of its own accord

proved illusory. According to Schmidt's view, the result of this development is more than lamentable. A generation of teachers who started the "march through the institutions" released graduates into society who are frequently "extremely one-sided" and ideologically committed. There are many judges who leave doubt whether they are free of the influences of the times of the student revolts; there are church members who see their institution as a "means for gaining political influence." According to Schmidt's statements, his party has also made "grave mistakes" there which one now has to try and correct by means of "changes in framework conditions."

Schmidt was also self-critical in regard to the treatment of the issue of coalition declaration in Hessen's FDP. Both the time and the method make it difficult for a potential voter to cope with the change in coalition partners. But the present faction chief insists that the Darmstadt decision was "justifiable and absolutely correct." The issues of the 1980's are creation of employment opportunities and assurance of survival of small and medium-sized enterprises. These problems cannot be met with an SDP which, for opportunistic reasons, is ready to give in to the demands of Greens and alternatives. One cannot build a coalition with the SPD in Hessen on the hope that Minister President Boerner will continue to succeed in "disciplining" a party which in years past has taken every opportunity to "take apart" its chairman. When the young Socialists charge that their party is held together only by "sheer opportunism" and the desire to stay in power then, said Smith, he could hardly contradict. The FDP has "justifiable mistrust in the SPD's power to stick through certain necessary decisions in the parliament." The end of a legislative period is, therefore, the best time to seek a partner from whom one can expect reliability.

9011

CSO: 3103/547

FDP'S GRIES DEFENDS COALITION WITH CDU IN HESSE

Hamburg DER SPIEGEL in German 21 Jun 82 pp 22-24

[Interview with Ekerhard Gries, Hesse FDP chairman, on the swing to the CDU; date and place not given: "We Can Also Be Rejected in Hesse"]

[Text] SPIEGEL: Mr Minister, at the party congress of the Hesse liberals on Thursday last week you expounded on the "fair and successful cooperation in the spirit of partnership" with the SPD. At the same time you voted with the majority for a coalition with the CDU of Alfred Dreggers. Please explain this contradiction to us.

Gries: It has been clear to me for a long time, and Hamburg was only a symptom of this, that the members and delegates within the FDP would no longer support the continuation of a social liberal coalition.

SPIEGEL: Why not?

Gries: For two reasons. Differences of opinion are visible to an increasing extent between social democrats and liberals precisely in the most important problem areas of the 1980's, economic policy, financing of social policy, and budget and finance policy. On these points, I believe that things will go more quickly, more simply and more smoothly with the CDU.

SPIEGEL: But you hardly had any difficulties with the SPD in Wiesbaden. There were no problems with your Hessian partner as there were in Bonn.

Gries: On basic decisions of economic and social policy, we do not, of course, make decisions on the Land level. But the decision of the individual delegate is, of course, formed on the basis of these political weather conditions. In addition, there are also many different voices in the SPD on peace and security policy.

SPIEGEL: You have always emphasized that the coalition declaration was a purely Hessian affair. But you mention only national political frictions as the reason for the change of course. Is it the overriding aim of the Hessen FDP to prepare for the change of power in Bonn?

Gries: On the contrary, we in Hesse want to strengthen the position of the social liberal national government. We want to prevent the CDU from achieving an absolute majority in the Land, because then it would have a two-thirds majority in the Bundesrat.

SPIEGEL: So you want to help the CDU chairman Dregger to come to power but at the same time support the social liberal coalition in Bonn. Won't that necessarily appear to the voter as a joke?

Gries: No, why should it? The Saar FDP has gone along with the CDU and that has demonstrably contributed to the fact that things could be achieved in the Bundesrat or investigation committee as a result of which the work of the Federal Government could continue to be carried on. There is certainly no illogic in that.

SPIEGEL: The voter will find that hard to understand. Is it not inevitable that statements such as, "the FDP goes along with those with whom it goes along," are more likely to give rise to the impression that the Free Democrats are no longer concerned with liberal policy but rather with sharing power and ministerial posts?

Gries: The FDP only goes along with those with whom it can reach an understanding in key areas and programs. But there is no point in looking for a bride knowing that you cannot marry her just for the sake of going into a cloister, that is, in the opposition. That has nothing to do with ministerial posts.

SPIEGEL: Will you also remain interior minister under Alfred Dregger?

Gries: First the voter must decide. It seems more important to me that in a coalition with the CDU the problem fields in which the danger of a conservative policy is the greatest should be occupied by liberals.

SPIEGEL: Mr Dregger has pleaded for the right of the police to shoot to kill in rescue attempts and wanted to throw leftist professors out of the universities in a blitz operation. Is there really any chance of making liberal policy with such a partner?

Gries: I don't want to give you a cheap retort in kind but Herbert Wehner did not scruple to take Mr Strauss into the government when he was putting together the great coalition. I don't want to change Mr Dregger either. In any event, I will prevent him from pursuing his policies.

SPIEGEL: Alfred Dregger has stressed repeatedly that the CDU will give up none of its basic principles. When you were still struggling vigorously for the social liberal coalition you yourself reproached the Christian Democrats "for not being concerned with fair partnership but rather with a strategy of subjugation." Why should the CDU be more flexible now?

Gries: The more eager it is to form a government and the more it needs the FDP to form a majority, the more flexible it will be.

SPIEGEL: The contradictions are striking. Mr Dregger once echoed the FDP when it said it had "adopted as its own the course the socialists were following." You have scolded Mr Dregger for saying things which recalled "an epoch of German history we thought we had long ago overcome." Has that all been forgotten?

Gries: That has not been forgotten and nor will it be forgotten. It only serves to elevate our degree of alertness. And it actually underlines the necessity of preventing Mr Dregger, if he really means such statements seriously, from governing with the CDU alone.

SPIEGEL: What happens if the CDU will not go along with the substance of the demands which you have tied to the coalition declaration?

Gries: That's well-known speculation. We are ready to enter into negotiations on participation in a government if the CDU does not get an absolute majority. Then it will have to come out to what extent the partners are ready for compromise. I don't mind telling you quite honestly the coalition negotiations will be very difficult just because the resolution of this party congress is so controversial.

SPIEGEL: There is hardly any common ground on education policy. The FDP favors progressive educational policies which the CDU is totally opposed to. Won't that be a stumbling block right at the start?

Gries: I don't want to prejudice any coalition negotiations here. Our goals are clear. We still want to introduce the progressive track system and even make it obligatory across the board. Practice in the Land shows, however, that the progressive track system is possible even with the CDU, as in the Landkreis Darmstadt-Dieburg where a CDU/FDP coalition has already existed for a long time. In other places where the Social Democrats govern alone that did not work. We are also not going to give up our total school goals. There the CDU will have to rethink.

SPIEGEL: Four years ago, in the last Landtag election campaign, your party was still distributing signboards saying "Stop Dregger." Which voters do you want now to address with your abrupt about face?

Gries: I believe that a chance for the FDP lies in the group of voters which does not traditionally vote social democratic and frequently voted for the CDU only with a gritting of teeth because there was this firm SPD/FDP alliance. I also include those who do not like Mr Dregger and would rather have seen the Frankfurt governing mayor, Wallmann, but who, when confronted with the choice between a social liberal coalition and the CDU have opted for the CDU.

SPIEGEL: According to a poll three-quarters of those who have voted for you up to now favor an alliance with the SPD.

Gries: Polls which contact only 69 persons in Hesse as so-called FDP voters can only be viewed with a certain reserve and with the requisite sense of

relativity. Here in Hesse, we have had an FDP from the very beginning which is very heterogeneous in its members and in the structure of its voter support.

SPIEGEL: But now there are many who no longer want to go along. Immediately after the party congress there was an uprising of left-liberal delegates who do not want to participate in the election campaign because they "cannot put up posters for Dregger."

Gries: That is a matter of concern to me but I cannot understand it. I really expect those who belong to the minority here at the party congress to stand solidly behind this decision. That certainly does not apply to everyone; you cannot place excessive demands on individuals.

SPIEGEL: The parliamentary secretary of state, Andreas von Schoeler, a champion of the social liberal alliance, now defines the electoral campaign in the following terms: "Against our past and with apologies for the man whom we make minister president." Is that reasonable?

Gries: I am proceeding on the assumption that it will be possible for everyone to support our campaign. Our first priority is not to work toward a coalition but to guarantee the existence of the FDP and to create the basis for the establishment of a liberal policy. I would be very disappointed if any sort of organized actions were undertaken to block our electoral campaign.

SPIEGEL: It is foreseeable that the struggle between the wings within the party will become more violent than ever.

Gries: I don't believe that. I am really convinced that, when things have settled down a bit, we will conduct an intensive campaign to reach our primary goal which is to strengthen the liberals in the Landtag so as to protect this Land from an absolute majority of the CDU of Alfred Dregger.

SPIEGEL: A coalition with Dregger in order to block him--even friends of the party consider that schizophrenic. How should you make such a strategy plausible to the voter in the first place?

Gries: You should not have such a bad opinion of the voter, he will understand it soon enough.

SPIEGEL: Does the voter also understand how the FDP Bundestag representative Hoffie could come to Hesse a year ago to join the Boerner cabinet and start simultaneously to work for a change in the coalition?

Gries: You would have to put this question to Mr Hoffie or to the voter and not to me. I often have the impression that everyone more or less has his own voter. Everyone brings along his own phantom comrade and says that is his voter with whom he is corresponding in his mind. And then there are others who have mastered the opinion polls. I don't mind telling you that my favorite voter is the one who votes for me because then I can in fact know exactly where I stand.

SPIEGEL: How many such phantom comrades do you have?

Gries: I govern myself by the 300 delegates who were at the party congress, they are voters too. They were elected by members who are also voters. I often have the impression that they are much closer to the general mood than we are at the highest levels of the party or government.

SPIEGEL: A Hesse left liberal has seen FDP functionaries "running around with pocket calculators" recently. Won't that give the voter the impression that the party is far more concerned about survival than it is about substance?

Gries: The question as to what the voter thinks and what the voter understands cannot be properly answered by anyone. There is also a certain irrationality in politics and its changes. People have to accept that.

SPIEGEL: You decided only shortly before the party congress to march with Dregger. Was that the signal for the change of course?

Gries: I don't believe it was decisive. I have always considered myself a social liberal and emphasized that I will remain one. That means that I have no intention of changing my political ideas. What we have decided on here is another way to effect our policy, one which is I admit more controversial and often more difficult to justify. No individual would have been able to change it.

SPIEGEL: The word of the Land chairman certainly carries some weight. You notified the Hesse FDP leadership of your personal decision on the day after the election defeat in Hamburg. Is there any connection?

Greis: No. I have actually been struggling with this decision for a long time. And I have always considered another one as quite conceivable. As a matter of fact, I have considered it my task as Land chairman not to act against the recognizable will of my party.

SPIEGEL: If your calculations are not borne out and the FDP is ejected from the Landtag, won't you then logically have to resign as Land chairman?

Gries: I won't answer such a speculative question?

SPIEGEL: But a natural one.

Gries: I hope it is not your hope. It is not pessimism but realism when I say that we can also be rejected in Hesse. That can happen with any coalition declaration. As to offices, the decisions will be made at the right point in time.

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## VERHEUGEN ON FDP STRATEGY, GOALS IN HESSE, BONN

Hamburg DIE ZEIT in German 18 Jun 82 pp 3, 4

[Interview with Guenter Verheugen, Federal manager, FDP, by Rolf Zundel; date and place not given: "'I Am Cautioning Against Such a Coalition'"]

[Text] DIE ZEIT: How bad are things with the FDP? A solid 14 percent during the Bundestag election in Hamburg, and now it is down to 4.8 percent, the door is shut and the FDP is outside. Considering all the unfavorable factors: Does it not seem as if the funeral bell is announcing the death of the FDP?

Verheugen: Competent and incompetent watchers of the FDP have heard the bells many times before. The fact is that the election results since the Bundestag election, which were altogether not satisfactory in comparison, were marked by structural problems, and these problems increased the respective regional or local causes for these unusual ups and downs. The two major problems are, first of all, the development of a four-party system and, second, the permanent crisis of the Bonn coalition, which in the eyes of the voters has taken on the appearance of a total lack of perspective.

DIE ZEIT: Then the thesis it not true, according to which the FDP has been sucked into the downhill trend of the SPD?

Verheugen: That was the case in Hamburg. There was a strong emotional resistance against the SPD and the FDP went to the dogs because it wanted to keep the unpopular SPD in government. In Bonn things are different. Of course, the downward trend is also related to the performance of the coalition. And is there any reason for surprise, when the coalition is facing its real antagonists and critics within its own ranks?

DIE ZEIT: At any rate, it seems that the strongest political motive in the FDP is the concern about its own survival, and this motive is apparently the reason why Hesse's FDP is warming up to the CDU. Is there a guarantee for its survival?

Verheugen: Since its foundation the FDP has had to live with the realization that there is no guarantee for its existence as a party, in other words, to be really established. There are two possible strategies for the FDP to guarantee its existence: It can see itself as a liberal instrument correcting the currently prevailing trend of the people's parties. In that case it would be satisfied with the role of a trend enforcer; at an earlier time this kind

of relationship occasionally existed with the CDU. On the other hand, the FDP can also present a clear alternative--in contents and in method--to the structurally similar offerings of the two big people's parties. In my opinion, the first strategy does not offer permanent prospects, completely aside from the fact that it is politically and intellectually of little consequence. In my estimation, it would therefore be wrong to decide the question of the coalition on the basis of arithmetic and demographic arguments--in other words: Coalition decisions that are dictated by fear will only accelerate what they are supposed to stop.

DIE ZEIT: What are they supposed to stop?

Verheugen: The impending impossibility of actually implementing liberal goals.

DIE ZEIT: In other words, the demise of the FDP?

Verheugen: That is not the same. Being a third opposition party in a Landtag establishes our existence; however, there is practically no opportunity to be effective.

DIE ZEIT: Whatever the decision in Hesse--which practically has already been made in favor of the CDU--the credibility of the FDP is at stake. Will the FDP be able to form a coalition with the CDU under Dregger who--similar to Strauss during the 1980 Bundestag election--is considered the embodiment of a policy which to date has been taking upon itself the duty of keeping out liberals?

Verheugen: I am cautioning against such a coalition, because in my opinion these difficulties are insurmountable.

DIE ZEIT: But is the credibility of the FDP not also endangered by the fact that the FDP in Hesse is helping the CDU to assume the driver's seat, the last Land where a social-liberal coalition still existed, and yet, in Bonn it wants to continue the government with the SPD?

Verheugen: The risks in Hesse are certainly enormous, but it is probably true: In a Land like Hesse, one cannot base a coalition statement for the CDU on the assumption that it would support the coalition with the SPD in the federal government. One cannot expect voters to comprehend that, although from the objective aspect it may even be true. We already failed in 1978 in Lower Saxony when similar arguments were used. The voters want a clear orientation. Everything else is looked upon as tactics, as an effort to cling to ministerial seats.

DIE ZEIT: The alternative to a coalition statement for the CDU is that a good possibility exists that the FDP might become the opposition or, something that could happen very well following all the back and forth, that it will not be elected.

Verheugen: The goal of an election campaign cannot be to become the opposition, but it also cannot be to avoid the opposition at any price. Even the FDP is not above the law of democratic change; this decision must be left up to the voter.

DIE ZEIT: To leave the decision up to the voter--is that not too easy a prescription? The decision alternative is also influenced by the actions or lack of actions on the part of the FDP leadership. At the present time, however, the leadership in Bonn is not giving the impression that it knows what it is supposed to want.

Verheugen: Everything is strangely up in the air. The leadership of both coalition partners must now demonstrate a clear desire to give to the coalition a perspective for the entire legislative period.

DIE ZEIT: Unless the FDP prescription is to cogovern in any case and, furthermore, if the profitable role of providing a majority should be made impossible because of the appearance of the "Greens"--what function is left for the FDP within the political system?

Verheugen: I never accepted this role for the FDP. Participation in government is of no value in itself; rather, the question is: Participation in government for what? Making a country ungovernable, however--which seems to be the latest goal of the "Greens"--is a challenge that calls for resistance.

DIE ZEIT: What then is the purpose of participating in the government?

Verheugen: May I bring my thought to a conclusion? The only time a party gives the impression that the important thing is to be part of it is when its program is not clearly recognizable. Consequently, the goal must be well-defined, independent of the fact whether they bring the FDP closer to the other party or drive it away.

DIE ZEIT: In theory it sounds beautiful; practice, however, is something different. In Hesse support for the construction of Biblis C, in Bonn siding with Baum and favoring cautious handling of nuclear energy; in Hesse for Dregger who, as a matter of principle, advocates a very strict position toward so-called "enemies of the constitution," in Bonn for Baum who wants to treat them differently.

Verheugen: I cannot deny the contradiction. It is not only a problem in Hesse but it is a liberal problem that has a long history. And the unfortunate thing about it is that contradictions of this kind are more or less also symptomatic of the people's parties, where they are simply accepted, but it seems that we have to meet stricter standards.

DIE ZEIT: Let us talk about the clear goals.

Verheugen: They exist, for instance, in security policies. In this area I would like to see the FDP leading a movement which will present new initiatives for detente and disarmament.

DIE ZEIT: A movement together with the "Greens"?

Verheugen: No. We cannot and do not want to enter into competition with programmatic rigorism. They are demanding unilateral disarmament, abandonment of nuclear energy, renunciation of growth. We can only offer different positions.

DIE ZEIT: What do you offer?

Verheugen: I am getting to it. I believe, for instance, that our proposals for a nuclear-weaponfree zone are worth considering and to be made a subject for negotiations. In this connection, the discussions on NATO strategy, on the structure and equipment of the Federal Armed Forces must also be mentioned. We also made contributions and proposals to show more clearly the defensive character of our arms buildup. I would like to remind you that traditionally the FDP is an antinuclear-weapons party.

DIE ZEIT: What about domestic policy goals?

Verheugen: In my opinion it is necessary to answer the big sociopolitical questions of this decade in the spirit of the Freiburg theses: unemployment, environmental destruction, humanization of labor, quality. And, third, I am calling for a radical position with respect to all problems of the constitutional state; the fundamental postulate of the basic law that deals with the dignity of man, for instance, must also be applied to foreigners.

DIE ZEIT: It sounds very social-liberal. During the coalition negotiations, however, the SPD apparently got the impression that the FDP was concerned about budget cuts in the spirit of a neoconservative economic policy.

Verheugen: The exchange of vilifying slogans is not very helpful. To date the FDP has not presented any proposals for the 1983 budget. We are currently discussing the proposals by the minister of finance, which in essence are absolutely reasonable. We are also of the opinion that something will have to be done not only about subsidies and tax advantages but also about social-welfare payments. In the social area we want reforms that produce more individual responsibility and make the indispensable social security system fiscally sound in the future.

DIE ZEIT: What does that sentence mean?

Verheugen: The minister of finance will not meet with any resistance from us as far as proposals for a reform of social-welfare payments are concerned.

DIE ZEIT: Does that also apply to tax advantages and financial aid?

Verheugen: With respect to financial aid it will not apply to the amount; but the method should be reconsidered. A linear reduction might be a better approach. When it comes to tax advantages I see bigger problems.

DIE ZEIT: What problems?

Verheugen: As far as most of the conceivable measures are concerned that belong in the realm of income tax laws, we depend on the Bundesrat. And I am afraid that Strauss--since the Union has a majority--has been using his "Sonthofen strategy" of obstruction to get his way. The other problem can be described in the following manner: Whatever the SPD considers a reduction in tax advantages--example: splitting of married couples--is looked upon by the FDP as a tax increase. But no doubt, the factor of social justice must be clearly visible.

DIE ZEIT: And in spite of it you feel that an agreement is possible?

Verheugen: It is possible. Budget discussions can be used to demonstrate the desire for cooperation and ability to act.

DIE ZEIT: If it should actually come true, in spite of troubles in Hesse-- does that not mean that the FDP would be tied to the coalition until 1984?

Verheugen: The obligation always existed. And only compelling political reasons that might result from Bonn's politics could release us; but I do not expect that to happen.

DIE ZEIT: And 1984? Many liberals fear a threatening danger, the possibility that the "Greens" might move into the parliament of Bonn and that a social-liberal government majority will no longer be attainable.

Verheugen: Nobody knows what will happen after the election. But we do know: Our chances depend on the performance in Bonn. In addition, as far as foreign and security policies are concerned, we have to stick to the course which I described, and with respect to social policies we must achieve what Hans-Dietrich Genscher called "the turning-point," a word which has intentionally been misunderstood by many. And third, I think it is necessary and possible after all, to stop and reverse the alienation between the traditional parties and the young voters.

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## STRAUSS'S STRATEGY ON POSSIBLE CDU/FDP COALITION

Hamburg DER SPIEGEL in German 21 Jun 82 p 24-25

[Article: "With the Flaming Sword"]

[Text] In order to drive up his price, Strauss is threatening to refuse to serve in a Kohl government.

Franz Josef Strauss felt that his suspicion had been confirmed once again and that he could only rely conditionally on Helmut Kohl in spite of all the oaths of loyalty.

The Bavarian complained vehemently to party friends that the CDU chairman had wanted to keep an extraordinary meeting of the CDU presidium secret from him. The supreme leadership of the Christian Democrats which had just met on Monday last week, is supposed to have been called together again by Kohl 5 days later on Saturday under downright "conspiratorial circumstances."

There should be no more such secrets according to Strauss, he had, after all, met with Kohl in Bonn on Wednesday between the two meetings and discussed common tactics vis-a-vis the social liberals. Kohl allegedly said nothing whatsoever about the special meeting. The opposition leader's excuse that they had not finished on that Monday and had adjourned to Saturday was not accepted by Strauss. He refused to allow Kohl to give him such "rubbish."

The CSU chief's suspicion: under pressure from the CDU Land associations in the north and in North Rhine-Westphalia, Kohl was once again in the process of trying to get out of the agreement whereby the CSU, in exchange for its support of Kohl as a candidate for the chancellorship, should be given four Federal ministries, including the portfolios of finance and defense, in a government led by the union.

But absolute reliability of the head of government should be the supreme commandment in a cabinet dominated by Strauss. Otherwise, according to the Bavarian, he would not be available in Bonn. He would not be available for the office of Federal finance minister if the new chancellor "is only lukewarm in his loyalty toward me."

Strauss demands a free hand for his radical concept for the clearing up of the nation's finances. This blank check would have to be signed by Kohl, according

to the CSU chairman in discussion with Bundestag representatives of his party.

Strauss is currently happily spelling out to confidants the evil consequences of his refusal to serve in a Kohl cabinet. The office of the Bavarian minister president would become a gold mine for the press, "a bonanza for daily exploitation." In Munich, the journalists would be able to gather any number of stories on the CSU chief's criticism of the CDU group of amateur actors in the government in Bonn.

Strauss on the role which he is thinking of taking on: "Then I'll stand there like the angel with the flaming sword."

The CSU Bavarian as Franz Michael--that is not the only threat with which Strauss wants to drive up the price for his entry into a Kohl cabinet as high as possible. At the same time he is letting it be known that at the present time he really has no interest whatsoever in seeing a change in Bonn.

At least one person took him seriously. Free Democrat Hans-Dietrich Genscher said Strauss wanted first and foremost to win his Bavarian elections in the fall with a landslide so as to make amends for his 1980 chancellor candidature.

A Strauss confidant knows better: "If the government falls today, Franz Josef will appear in Bonn tomorrow."

It is also all right with Strauss if the BILD ZEITUNG confuses Kohl and Genscher with the report that the CSU chairman wants to become foreign minister. In that connection, the Bavarian had merely said in a background interview that his promises to the FDP in case it was ready to change over were no longer valid--neither for the interior nor for the foreign affairs portfolio. After their collapse in Hamburg and after their decline to fourth place behind the Greens, the liberals had lost some of their value to the union.

As a matter of fact, Strauss has understood that he is talking too much. In a confidential conversation with Kohl and the CSU Land group chief, Fritz Zimmermann, he expressed himself with greater reservation. It is true that Gerhart Baum would hardly be tolerable in a union government. But all three were agreed that they would accept Baum if the power switch depended on it. Unfortunately, the union parties would then be just as vulnerable to blackmail as the SPD is now, according to Strauss.

It is also equally clear to Strauss that he could not become foreign minister in a coalition with the FDP. It would, of course, be his heart's desire to get out of the thankless job of finance minister and make high policy in the Foreign Office. But he certainly has no illusions. Genscher would remain foreign minister in a CDU government if Genscher wanted to.

Despite all the momentary advantages for the union, Strauss may still complain vigorously to his party friends that he does not like the way the FDP in Bonn "steals out of its responsibility." It is well known to CDU members

including Strauss that in order to achieve power they must nevertheless take the FDP as it is. In order to stay in power they must bottle-feed the liberals to get them over the 5 percent hurdle even to the extent of lending them votes if need be.

For otherwise the longed-for change in the party landscape can pass quickly. If the FDP falls in the Laender and does not get more than 5 percent in the Bundestag election while the Greens remain on the upswing, then there would be no change from the present three-party system. In that case the union would also have difficulties in the future, as now in Hamburg, to achieve power against two opponents, the SPD and the Greens, and to hold it without a coalition partner.

Strauss is already joking again about his old dream of a nationwide CSU as a fourth German power. "Then we'll really mark Kreuth with a Roman numeral two, but this time for good."

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## DECLINE IN NUMBER, INFLUENCE OF YOUNG SOCIALISTS

Hamburg DER SPIEGEL in German 21 Jun 82 p 36-37

[Article: "To The 'Kompolak'"]

[Text] The Young Socialists are being politically worn away between the government party and the Green Alternatives. In 2 years the new generation of SPD members has shrunk by 70,000.

The need to speed things up was urged by the presiding officials at the national congress of the Young Socialists. "It's 3 pm," a spokeswoman announced to approximately 300 delegates, "and no candidate for national chairman has as yet been proposed."

Then a candidate was found at last. But even though Rudolf Hartung, 34, was the only one who still wanted to become the chief of the SPD youth, the Young Socialists rejected him on the first ballot. It was only on the second round that Hartung, who up to that point was the national secretary of the Young Socialists in the Bonn SPD headquarters, was elected chairman by the narrow majority of 144 to 133 with 21 abstentions on Friday evening last week.

The embarrassment-candidate and the embarrassing election demonstrate how badly things are going for the youth organization. The Young Socialists have squandered the enormous influence they had at the end of the 1960's and the beginning of the 1970's--both members and voters are running away from them.

Once, in the days of chairmen Karsten Voigt and Heidemarie Wiczorek-Zeul, the Young Socialists called themselves, and rightly so, "the greatest political youth organization in the country." Many considered them "the only relevant socialist force" in the Federal Republic (as the rhetoric professor Walter Jens put it). They were full participants in the management of party congresses as well as in internal party discussions. Their slogan, "We are the SPD of the 1980's," resounded with self-awareness.

In a totally different sense from what the Young Socialists had in mind, their prophecy has now come true: so unattractive has the SPD of the 1980's become and so badly do the Young Socialists come across with the young citizenry.

The number of SPD juniors under 35 years old has shrunk by about 70,000 to some 280,000 within 2 years--and it is growing smaller and smaller. The resignation and departure of those who have reached the Young Socialists age limits has contributed to the shrinkage. In addition, in the words of the Young Socialists managing director of Lower Saxony, "the shop has become a bit out of date."

There are hardly any young citizens of the republic wanting to change the party and society who are joining. Hartung's predecessor, Willi Piecyk mused, "If I were 18 today I wouldn't know whether I would join the SPD myself."

The left-leaning TAGESZEITUNG last week made a rhyme at the expense of the Young Socialists, "On the green meadow I asked the young whether they still loved me, and they said no."

A three-pronged dilemma is contributing to the decline of the SPD youth. The Young Socialists--are perceived by broad segments of their generation as no longer a power for reform but rather as "government youth" identified with the despised policies of the mother party;--are less able than ever to accomplish their objectives within the SPD and feel like "pliable waterbearers serving purely the effort to retain power" (Piecyk), robbed of their identity;--have lost their role as a "political motor" in the West German party landscape to the Green Alternatives.

When Young Socialists acknowledge that they are basically social democrats, Piecyk observed, "they are immediately put on the defensive," or are even mocked. "The image of the government party," complains Ditmar Gatzmaga, Lower Rhine district chairman, "is used to beat us on the head."

On the one hand, the party youth are frequently made to feel the reaction by others of their generation to the policies which the social democrats have decided on--from modernization of nuclear weapons to reductions in social services, from the exclusion of dissidents to sins of omission in environmental policy.

On the other hand, they feel as if they are being pressed by the party leadership to behave themselves. The SPD heads would prefer the Young Socialists not to march in peace demonstrations but rather to protect the chancellor. In Hesse in the near future, they are supposed to carry out an election campaign for a social democrat who is scorned by the Alternatives as only a "surface democrat:" Minister President Holger Boerner.

The Cologne Young Socialist chairman, Andreas Henseler, felt that the SPD leadership was preoccupied with staying in power and simply dismissed their future successors with the words, "You've said what you think, now run along nicely and keep on playing outdoors."

In addition, the young social democrats have missed the opportunity to occupy those fields of political themes which have in the meantime been taken over by the Greens. While the SPD youth were arguing over the theory of "state monopolistic capitalism" they slept through the onset of the eco-age.

The Baden-Wuerttemberg Young Socialist directorate outlines the situation: "Many of us are leaving the SPD these days, either resigning or migrating to the Greens or the Democratic Socialists, in order to recover a bit of our inner credibility."

In the local district of Herne, for example, "the store was closed up tight" because of a shortage of mass support according to the former Herne Young Socialist board member, Volker Eichener. At a plenary meeting which was attended by all of 13 out of 1,200 registered Young Socialists, the rump organization decided to "suspend all Young Socialist work for the time being." Since the board no longer saw "any sense in the work of the party," it resigned. Hordes of Young Socialists deluged the "Kompolak," a communal political work circle of Greens and homeless leftists.

The Young Socialists of the Rheingau-Taunus local district mark the "wave of resignations" as "a consequence of the runaway policy" and "national political decisions (austerity budget, Hansen Committee)." Whole neighborhoods were "politically dead for the Young Socialists," according to the findings of the board for the Main-Kinzig local district.

This is also borne out by election results. Fewer and fewer of the citizens in the Young Socialist age group are voting social democratic. In the Hamburg local elections, three-quarters of the supporters of the Green-Alternative list came "from the under 35 age group," according to the Land statistical office. The SPD (vote loss, 8.8 percent), in what has been its most important source of voters up to now, lost an above average 9.9 percent among the 18- to 24-year-olds and 14.2 percent among the 25- to 34-year-olds.

To stop the decline of the party youth, the new chairman, Hartung, called at Lahnstein for a "new beginning from the bottom to the top." But how the "restoration by occupation of the party" will turn out, as one delegate using the vocabulary of the Alternatives put it, is uncertain. The delegates were in agreement that progress upward could only be made after the SPD in Bonn and elsewhere had gone over to the opposition.

Until that happens, Hartung's predecessor Piecyk recommended a recipe from the desert for the Young Socialists. They should behave "like the ayatollahs in Iran--submerge and reappear when the time is ripe."

9827

CSO: 3103/530

## POLL GIVES GREEN PARTY CHANCES ON FEDERAL LEVEL

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 6 Jul 82 p 2

[Article by "Fk": "Greens Have Chances in Bundestag Election"]

[Text] Frankfurt, 5 July—The outcome of the Hamburg election where the GAL got its highest ever share of 7.7 percent of the vote has focused attention on that party far beyond the borders of the city state. When the Allensbach Demoscopic Institute put its "Sunday question" to a representative sample in June—the question being "if the Bundestag elections were held next Sunday, which party would you vote for?"—the Greens also got 7.7 percent. They have thus passed the FDP (at only 6.8 percent) in a poll covering the whole country. The comparable figures for last year were: FDP, 10.1 percent and Greens, 5.8 percent.

The June poll gave the CDU/CSU pretty much the same figures obtained since last fall (with minor variations): 53 percent as compared to 49.8 percent in June of last year. The SPD hit a new low of 31.1 percent as compared to 33.6 percent in June 1981. Actually, there were two polls conducted by Allensbach in June; the values given here are mean values.

The switch of mostly young voters from the SPD to the Greens is continuing. This becomes even clearer when comparisons over several years are made. In the spring of 1980, the 18 to 29 year-olds replied to the "Sunday question" by stating the following party preferences: CDU/CSU, 31 percent; SPD, 52 percent; FDP, 7 percent; Greens, 10 percent. Today, the figures are: CDU/CSU, 37 percent; SPD, a mere 30 percent; FDP, 10 percent and Greens, 21 percent. While the SPD lost 22 percent of this voter group, the Greens gained 12 percent, the CDU 6 and the FDP 3 percent.

The Allensbach findings indicate that every other Greens voter (51 percent) is under 30. This age group is much less represented in the other political parties. The figures are: CDU/CSU, 14 percent; SPD, 19 percent and FDP, 28 percent. No reliable analyses exist concerning the switch of young voters to the Greens. The assumption is that they are motivated by protest against "the system" as well as by trendy considerations.

In the 18 to 29 age group, those between 18 and 20 make up the largest share of GAL voters, namely 33 percent. Of the 21 to 24 year-olds, only 14 percent vote for the Greens, which is indicative of a distinct differential with respect to the somewhat older age groups. This also would seem to indicate that protest, imitation and changing styles play a big part in determining preferences—a factor which becomes less important with advancing age.

## FDP'S MISCHNICK ON RELATIONS WITH SPD, GREENS

Duesseldorf HANDELSBLATT in German 7 Jul 82 p 3

[Interview with Wolfgang Mischnick, chairman of the FDP fraction, by Hans Joerg Sottorf of HANDELSBLATT: "The Hesse FDP is Not a Vacillating Party" conducted in Bonn, 6 July 1982]

[Text] Bonn-FDP Fraction Chairman Wolfgang Mischnick has warned the SPD against engaging in "wrong tactics" by making approaches to the Greens and the Alternatives. He told HANDELSBLATT that such tactics would show no great results with the workers. The interview proceeded as follows:

HANDELSBLATT: Hardly has the coalition crisis in connection with the budget debate been overcome, when there is more trouble. The SPD threatens the FDP with the Greens and the Alternatives. You are considered to be one of the FDP politicians who is most loyal to the coalition. Aren't you getting fed up too?

Mischnick: In my opinion the whole thing is an attempt to promote a majority in Hamburg which would be capable of governing. Of course, the SPD can attempt to do this. Personally, I think it is wrong. Also, it contradicts pre-election statements. No medium or long-term cooperation is possible with the Green groups the way they are presently constituted--this has been proven by the SPD's showing in the Marburg and Kassel communal elections. I regret that nothing has been learned from those.

HANDELSBLATT: You are the honorary chairman of the Hesse FDP. The Federal chancellor has called the Hesse FDP a "vacillating party." Are you hurt by that?

Mischnick: My political experience has been so extensive that the question of being hurt has no bearing on my political feelings. My reactions are based on the issues. After living in a coalition for 12 years, the Hesse FDP made a decision at the end of the legislative period. The decision was based on the issue at hand. That is why the chancellor's judgment is wrong. I plan to elaborate on this in the election campaign.

## No Threat to the FDP's Existence

HANDELSBLATT: The Green and Alternative Problem threatens the existence of the FDP. Some members of the SPD appear to consider the possibility of remaining in power with the help of those groups. What should the FDP do about this danger?

Mischnick: I do not agree that the Greens or the Alternatives constitute a threat to the FDP's existence. It has been proven that wherever both groups have campaigned, this did not primarily impact upon the Free Democrats. In thinking about the Hesse communal elections--which is one of the most recent good chances for making comparisons--we have in those regions where the Greens did well with such issues as the west runway, made gains also, due to a clearcut difference in attitude. It is true that today the Greens have a relatively good chance of gaining votes among the young voters. To that extent there is a competition, since we have always had an above-average share of young voters. On the other hand, it was proven in Hamburg that our share of young votes in Hamburg exceeded the overall results.

In the Bundestag the Greens' situation looks a priori different because in Bundestag elections our participation by the electorate is 10-15 percent greater than it is in Landtag elections. This means automatically that the opportunity for the Greens and Alternatives to get into the Bundestag is reduced. We will discuss the issues. Among the Greens and the Alternatives there are many who consider environmental protection, scenic protection and the protection of natural resources to be important problems. It is worthwhile to discuss these issues with them. It is not worthwhile to talk with those whose only political statement is "no."

HANDELSBLATT: What about the SPD's strategy for 1984?

## Getting Cozy With the Greens Are the Wrong Tactics

Mischnick: I cannot imagine that the SPD closes its eyes to the disdain felt by many of its own voters toward some of the Greens' groups, particularly among the workers. They see in those groups a danger to their own jobs. You can't make points with the workers by taking a rigid attitude against nuclear power plants, coal, power stations, against extension of the rail net and runways.

The SPD should consider very carefully whether it isn't employing the wrong tactics. We Free Democrats will stick to our expressed environmental policies which we have followed for almost two decades. But we will never make the mistake of confusing obstructionism with politics.

HANDELSBLATT: FDP Chairman Genscher has warned against "anti-growth coalitions." Thus the Green or Alternative problem also becomes a considerable economic policy problem for the FDP?

Mischnick: I share Hans-Dietrich Genscher's opinion that many Greens with their policies are a threat to employment and that they thereby exacerbate economic policy difficulties which presently beset us. It has after all been proven that most of them are not prepared to assume responsibility. This always reminds me of people who keep raising the bid in card games but, when the game gets serious, throw in their cards and let the others carry on. That's impossible.

In looking over the Greens' demands in their programs, I find that they simultaneously want a 35-hour workweek, less work, higher pensions and tuition subsidies; but nobody says how all this is to be funded. I am firmly convinced that this attitude will be rejected by the great majority of the population in the future as well.

HANDELSBLATT: In flirting with the Greens, multicoloreds and Alternatives, is the SPD risking a conflict with the unions?

Mischnick: I would not exclude that possibility. But the SPD must know that and decide for itself. It is not my place to discuss their tactics and strategy. In my experience, responsible environmental protection does not necessarily stand in contradiction to economic realities if one goes about it in the right way.

HANDELSBLATT: Could the FDP solve the Green and Alternative problem in such a way that the SPD takes on the role of the opposition and thus attracts many Green and Alternative voters?

Mischnick: If you are referring to the Federation, I can only tell you this: In 1980 the voters demanded that a Schmidt/Genscher government be formed--Social Democrats/Free Democrats. I am prepared to do everything in my power to implement that demand. As to Hesse, the story is no different. Some Hesse Social Democrats have a lot in common with Alternatives and Greens. Coalitions at the communal level show how far this can go. Even if this is not compatible with Holger Boerner's policies, I can readily imagine that great parts of the Hesse SPD are increasingly ready to take that course. And thus it comes quite understandable that it results in a greater incentive for the Free Democrats to form a government with the CDU and to reach a concomitant coalition understanding. That is why, as I have said before, the Federal chancellor's observation is quite wrong.

HANDELSBLATT: Finally, a question about the budget. The coalition was able to arrive at a compromise. How will the budget fare in the Bundesrat?

Mischnick: I find it extremely interesting to detect in the Unions's commentary the fact that they have not yet arrived at a unanimous course. This gives me reason to hope that someone like Minister President Spaeth will prevail with a balanced position. If there is constant talk to the effect that the deficit must not be too great, credits must be reduced, economies must be made, everything must be reconsidered, one cannot reject out of hand structural changes, e.g., the gradual increase in retiree health service premiums, premiums payable by the insured for cures and hospitalization, etc. I believe that within the CDU/CSU a thinking process will be initiated about the extent to which one should and must endorse certain economy measures if one is to preserve one's credibility. I can only hope that the Union, if it feels that none of this goes far enough or constitutes the right course, will for once come up with counter-proposals of its own.

## COMPLICATIONS WITH TURKEY, NATO EXAMINED

Athens BUSINESS & FINANCE in English No 197, 5 Jun 82 pp 6-7

[Article by George Ventry-Canning]

[Text] The Prime Minister's stern warning to Turkey, the U.S.A. and NATO seems to have had more than those recipients in mind.

Greece's foreign relations in this last week center upon three events. The Prime Minister's state visit to Yugoslavia, as one more manifestation of wooing the unaligned block of nations in the last six months, more friction with Turkey over some flights by Turkish military aircraft over the Greek islands of Lesbos, Lemnos and Samothrace, and the sudden withdrawal of Greek participation in the latest NATO exercise in the East Mediterranean which resulted from this same trespassing of Greek airspace by Turkish aircraft.

The visit to Yugoslavia, as Prime Minister Andreas Papandreou himself said, was a follow-up to the general Balkan rapprochement started by Constantine Karamanlis as Greece's Prime Minister in 1975. This policy of European-Balkan friendship has been steadfastly pursued by Greece ever since then, and conversations in Belgrade covered general political matters such as a non-nuclear Balkan peninsula, the removal of rival super-power fleets from the Mediterranean, etc. Greek-Yugoslav economic relations were not discussed because there has been in existence for some considerable time now a permanent joint Greek-Yugoslav committee for economic cooperation.

It is by now well in its stride, and capable of dealing with all economic matters, as these do arise. A recent Papandreou communique, however, had an oblique mention to the "Macedonian Problem" as well as to the "Cyprus Problem." The former, raised by Yugoslavia, referred more to outstanding differences with Bulgaria over their common border running through Northern Macedonia, while the latter, raised by Greece, obviously referred to the continued presence of a Turkish army of occupation on Cyprus, such as the Argentines still maintain over a portion of the Falklands.

The row with NATO occurred while the Prime Minister was in Belgrade. Greece had sent a destroyer (the Themis-

stocles) to participate in a joint NATO exercise in the East Mediterranean. The exercise on this occasion was commanded by a Turkish admiral. After the manoeuvres had begun, news was received that Turkish military aircraft, far from and in no way connected with the NATO exercise, had (allegedly) violated Greek airspace over the islands of Lesbos, Lemnos and Samothrace. From Belgrade, the Prime Minister ordered Themistocles back to base. At the same time, he gave what government quarters chose to describe as a "severe warning to the U.S.A. and to NATO," that Greece's role in the alliance could not be one of a theatrical extra nor of an obedient schoolchild.

Observers in Athens suspect that Turkey engineered this provocation at this precise moment for a number of reasons. One is that the Turkish junta is thought to have seen, once again, the UN's inability to intervene when military aggression occurs. The Turkish government has also been given reason to believe that NATO, and in particularly the U.S.A., is unwilling to measure Turkey's military seizure and occupation of 40% of Cyprus by the same yardstick as Argentina's parallel behavior in the Falklands. The Turkish junta is also believed to feel that NATO and Western countries generally are so preoccupied with events in the South Atlantic that now is the moment for Turkey to edge a little forward again at Greece's expense to such extent as may not make a flareup inevitable. The Turkish junta is felt to reason that the UN continues to be impotent and as Greece lacks the military preponderance that Britain has over Argentina, it cannot take the same unilateral action in defense of its rights that Britain has done, especially if the aggressive moves are slight and properly spaced.

Some observers yet prefer to subscribe to the view that Turkey's behavior is nothing more than the prelude to a wider plan which has the aim of destabilizing the area in general and the Greek government in particular. Greeks, however, are always fond of conspiracy theories, and in this case as well it is difficult to separate fact from fiction.

**I**n the midst of all this, another non-aligned contact is in progress. Zimbabwe's Robert Mugabe has been in Athens as the guest of the government. Now that nearly all of the once-numerous and prosperous Greek community in what used to be Rhodesia has been repatriated, it is not quite clear what practical result may come out of this visit. Zimbabwe is in need of many major development projects, no less than is the case with Greece. Greek engineers and contractors would certainly carry out several of them. However, both sides lack the necessary capital as well as the required foreign exchange, while third parties that do possess it are apt to give the jobs to their own nationals as a condition for financing.

Therefore, the visit seems to have been one more of the colorful Yasser Arafat-type of functions to show public opinion at home how "independent and non-aligned" a country Greece has now become, in accordance with repeated election promises. However, trying to do business with countries

that are "broke" or heading for economic impasses, be they in the Common Block, the Arab world or among the non-aligned, is less likely to offer an early solution to Greece's own economic problem than would a determined effort to attract more cooperation from wealthy countries such as exist in the North and South American continents, Africa, Australia-New Zealand, the Arab world and, of course, the EC itself.

It may be an unfortunate coincidence that wealth and availability of convertible currency happens to lie for the most part in countries which follow a political line different to the one prevailing in Greece at the moment. That's just too bad, but if one wants to do business, one has to put up with that sort of thing.

**T**urning to internal matters, it has been hinted before that two distinct trends in economic thought appear to be swinging government actions first one way and then the other. While certain ministers, governors of banks, etc., make reassuring noises at every opportunity about support for private enterprise and about the part it is expected to play in reviving the country's economy, others put cards on the table which tend to trump their partner's aces. A case in point seems to be that of fresh fruit and vegetable exports. Private exporters have protested lately, saying they are now being denied bank financing for the purchase of packing materials and other preparatory work for the coming season's exports of fresh fruit and vegetables.

At the same time, agricultural cooperatives are being given unlimited financing for the same purpose. Likewise, new regulations say that export bonuses will be paid only to those growers who deliver products for export to cooperatives, and that such payments shall be made to them through the cooperatives. In like manner, growers who deliver products for industrial processing shall receive such guaranteed minimum prices or subsidies as may be granted, only if their products have been delivered to the factories through the cooperatives.

The exporters complain that such discrimination creates pure monopoly conditions in favor of the cooperatives, and kills private trading in the fresh fruit and vegetable lines. It is also a practice which runs entirely contrary to all EC rules on free trade and competition on equal terms. Finally, it is maintained that such methods render the growers themselves prisoners of the cooperatives. The exporters foresee that if they are run out of business in this manner, then from the current export season onward the net result will be a resounding flop in exports — the loss of which will hit the growers, the cooperatives and the national economy as a whole, as much as it will their own particular trade.

**W**hile this trend to "collectivise" part of the country's agricultural production is being pursued by certain elements in the government, a different wind seems to be blow-

ing as regards the trade unions and the recent resurgence of strikes. The bank clerks who went out on what was originally to have been a 48-hour strike on Thursday and Friday, May 27 and 28, then prolonged it for two more days, making it virtually a week's strike. The civil servants are also completing preparations for a major strike. The Prime Minister said on Saturday evening, May 29, that those labor unions which were organizing strikes were undermining the government's program for social and economic growth, while notice was given that no more wage increases would be tolerated. Instead, said Mr. Papandreou, it was the duty of the country's trade-union movement "to safeguard the cause of political change, and also to safeguard such gains as the working-class movement had so far achieved." This was a clear hint that protracted strike action could end up to the detriment of such advantages and privileges as the workers may have so far secured.

It is quite clear, also, that this mounting crescendo of strike action is an indication of the degree to which trade union leadership has slipped into the hands of communists who are now moving out into open confrontation with the socialists. Certain embittered elements of the former right wing regime are remarking that the government is now getting a taste of its own medicine which it handed out while in opposition.

CSO: 4600/635

## BIOGRAPHIES OF NEW CABINET MEMBERS PUBLISHED

Athens ATHENS NEWS in English 6 Jul 82 pp 5-6

[Text]

**GERASIMOS ARSENIS:**

Born in Cephalonia 1931, studied economics at Athens University and MIT. In 1960 started working for the U.N. From 1964 to 1966 was director of the Department of Economic Studies of the OECD Research Centre. In 1966 returned to the U.N. as a senior official of the Prebisch group. In 1973 was appointed Director of UNCTAD.

Mr. Arsenis played an important role, both technical and diplomatic, in the reform of the international monetary system, and has been the adviser of many governments on economic policy and programming. On November 3, 1981, he was appointed Governor of the Bank of Greece.

**DIMITRIS KOULOURIANOS:**

Born 51 years ago in Koroni, Messinnia. Graduated from the School of Commercial Studies and obtained his PhD in Economics from Berkeley University. From 1957 to 1968 worked for the Bank of Greece. From 1968 to 1981 was employed by the World Bank, and for a number of years was economic adviser to the Ethiopian government.

After the last elections, he was appointed Governor of E.T.B.A. and in parallel was a member of KYSOP (Government Council of Economic Policy).

**GEORGE-ALEXANDER MANGAKIS:**

Professor George A. Mangakis was born in 1922. During the Nazi occupation he took part as a student in the resistance. In 1955 he became a lecturer on penal law in Athens. His lectures at the Law School during the dictatorship years, and in particular his farewell lecture when he was dismissed in February 1969, were among the first public anti-dictatorship demonstrations in the university, which led to his being taken to the "Bouboulina" Security Police station. In July 1969 he was arrested and accused of planting bombs. He stayed in isolation for four and a half months and after his trial, along with 34 others, was sent to prison. In March 1972 he was released and went to Germany, where he continued his anti-dictatorship struggle. In the same year, he was appointed a regular lecturer on Criminal Law at Heidelberg University. He

returned to Greece on 25 July 1974 and participated in the first democratic government as Minister of Public Works.

In the November 1974 elections, he was elected Deputy for Athens with the EKND party. In the 1977 elections he was a candidate of the Alliance but was not elected. Since 1978 he publicly supported the gathering of all the progressive and socialist forces in PASOK.

**CONSTANTINE AS-LANIS:**

Born Heraklion, Crete, 1941. Unmarried, civil engineer. Was a member of the student association (EMP), member of EDHN (1965), member of PAK, founder member of PASOK, candidate for deputy in 1974 and Deputy in 1977 and 1981.

**IOANNIS FLOROS:**

Born Anatoli, Larissa, in 1925 a doctor. Married, two children. A member of the EAM Youth (1941-43). From 1943 a member of EPON and ELAS fighter (1943-45). A member of PAK from 1971 to 1974, founder member of PASOK and Deputy for Larissa 1974-1977-1981. A member of the PASOK Central Committee.

**ASSIMAKIS FOTILAS:**

Born in Patras in 1932. Studied law in Athens and became a lawyer. Was elected Deputy of Achaia for PAME in 1961 and in 1963 for the Centre Union. After the dictatorship, was elected Deputy for Achaia in 1977 with PASOK, and in 1981 Eurodeputy. Married, four children.

**ANTONIOS GEORGIADIS:**

Born Aghios Isidoros, Rhodes, in 1944. Married, one child. Studied at ASOEE and Public Finance at the University of Freiburg. An economist. Dodecanese Deputy 1977-1981.

**MOSCHOS GIKONOGLOU:**

Born Vrysaki, Imathias, 1932. Widower, two children. Mechanics foreman. Was Alternate Secretary of EDHN in Imathias (1965) and EDHN Secretary in 1977. Founder member of PASOK, candidate in 1974 elections, Deputy in 1977 and 1981.

**PANAYOTIS KATSAROS:**

Born in Karditsa in 1935, Panayotis Katsaros as a student was actively involved in trade unionism. He studied Law in Athens and Economics in Glasgow. Prior to the dictatorship, he was a member of ONEK, and later EDHN. He is unmarried. He was elected a PASOK Deputy in 1977 and 1981.

**COSTAS LALIOITIS:**

The new Undersecretary of Sports and the New Generation was born in Doliana Arkadias, and is 30 years old. Since 1976, a member of the Executive Bureau of the PASOK Central Committee.

During the dictatorship, took part in the struggle against the dictatorship and was a member of the Coordinating Committee in the Polytechnic uprising. Publisher of EXORMISIS, member of the editorial committee and a journalist.

**THEODOROS PAN-GALIOS:**

Born Athens 1938, lawyer and economist. Divorced, one child. Was member of DESPA (1962, President of the Attica Students Association, member of the Lambrakis Youth, member of PAM, EDA candidate (1964), member of the 12th Plenary of the KKE Central Committee (1964-68), member of the KKE Interior (1968-1972). Founder member of PASOK and candidate for Elefsis Mayor. Deputy in 1981.

**MILTADIS PAPAIOANNOU:**

Born in Lykouria, Achaia, in 1946. A lawyer, founder member of PASOK, member of the Central Committee and Secretary of the Self-Governing Committee. Deputy in 1981. Widower, with one child.

**STYLIANOS PAPTHEMELIS:**

Born Thessaloniki 1938, a lawyer. Married, two children. Deputy for EDHK in 1974 and 1977, became Independent in 1980, and joined PASOK in 1981.

**VASILIOS PAPAYANNIS:**

Born in Kassandra in 1945. Married, three children. An accountant, he studied Economics at Thessaloniki University. PASOK deputy for Imathias in 1981.

**PAFSANIAS ZAKOLIKOS:**

Born Almyro, Magnysias, in 1936, a lawyer. Married, two children. Participated in student trade unionism, was a member of the General Council of the Union of Democratic Lawyers of Greece, member of ONEK and later of EDYN, member of Democratic Associations before the dictatorship, founder member of PASOK and member of the Disciplinary Council. Deputy for Magnysias in 1981.

**KOSTIS VAITSOS:**

Born in Athens in 1942. In 1979 elected to the chair of Political Economy at Athens University. Also holds the chair of Economic Development at Sussex University. In 1981 was awarded the title of honorary Professor in International Trade at Edinburgh University. Has also taught at Harvard and at the University of Paris.

Studied economics at Yale and holds a PHD from Harvard. Is also a graduate of the Harvard School of Business Administration.

As a U.N. adviser helped many developing countries in their negotiations with foreign multinational companies. In Greece, Mr. Vaitzos has held the post of President of the Consultative Board of Scientific Research and Technology. In 1977 he was appointed president of the International Studies Institute of Latin America, he has published a number of books and articles on economic development and international trade. From 1974 to 1976 he was a member of a Board of Directors of the Society for International Development. Has also acted as adviser for many international organisations.

## LOCAL NEWSPAPERS REVIEW CURRENT TOPICS

Athens ATHENS NEWS in English 23 Jun, 1 Jul 82 pp 4, 5

[23 Jun 82 pp 4, 5]

[Text]

**ESTIA** (Extrême Right) Reasonable questions are raised in the minds of public opinion from reports emanating from journalists sources that Mr. Papandreou following the French example, has suggested the cancellation of the implementation of certain advanced measures of social control of private enterprises. Such measures were being persistently asked for by extreme members of his marxist party. There is no doubt that such measures included in the PASOK program are intended to make the economy "marxist". The fact that such measures have not yet been implemented is merely the result of the desire of Mr. Papandreou to gain time by deceiving industrialists and businessmen that he has given up his objectives about "reformation" until he settles other pressing domestic problems. The fact that there is a deception becomes clear not only by the process relative to the subject of "social" measures but also by the rumors that comrades Kyrkos and Glezos are scheduled to become ministers. These men have been hard core communists and have never hidden or have tried to hide their political beliefs. When Glezos became a candidate with PASOK in the 1981 elections he declared he was an independent without joining the ranks of PASOK. It is needless to say that there is no relation with the French example of having communists ministers in the government because this was provided for in the agreement between the French Socialist and Communist Parties when the latter cooperated with the French Socialists so that they win the elections. Bearing this in mind, any employment of the two communist deputies in the Papandreou Government will confirm the leftist identity of PASOK which is proceeding fastly to the marxist "reformation" of the country.

**ACROPOLIS** (Opposition) The situation prevailing in the market is the best index that portrays the economic situation of a country. The market is the thermometer of economy, it is the pulse. It is the market that indicates whether there is a general picture of healthiness or malaise. What is the situation in the Greek market? There is only one word to describe it - chaos.

This is exactly what prevails in the market an indescribable chaos. What are the reasons for this? The incoherent

actions of those responsible. Failures and clumsiness on their part. Their inexperience, their narrow-minded dogmatism and their boastfulness. These people have not matured in reality but they have descended from the clouds and made a rough landing. The funny thing is that some of them insist that they know everything, they listen to no one, and, thus, are causing damage. A proof is the chaos prevailing in the market. And, who pays for that chaos? Naturally, the consumer and the working man.

The issue of the pending government reshuffle was the main topic in yesterday's afternoon press. Other news given prominence included the crisis in Lebanon, the World Cup football matches in Spain, the bank strike, the government changes in Argentina, reports that the oil deposit located west of Thassos will probably produce 100,000 barrels, daily reactions to the debate in parliament on the Bill on higher education institutions, the hot weather and the EEC discussions on the issue of unanimous agreement concerning decision taking.

**APOGEVMATINI** (Opposition) Highlighted the government reshuffle and noted that the number of portfolios will reach fifty.

**ETHNOS** (Government) Highlighted a report on the Elefsina shipyard. In its editorial it referred to the war in Lebanon and noted that in the "large circus of world hypocrisy," they have all abandoned Beirut.

**MESSIMVRINI** (Opposition) Highlighted the government reshuffle and printed forecasts of other newspapers on the changes. It also projected the government reshuffle in its editorial and recommended the Prime Minister to listen and heed the concerns of public opinion and not the whisper of the PASOK organisation.

**TA NEA** (Government) In projecting the government reshuffle noted that other than the change in personnel it is certain that there will also be a change in the rate of activity of the government. It also published reports that the new oil deposit in the area of Thassos could possibly supply 100,000 barrels daily.

**VRADYNI** (Opposition) Highlighted the reshuffle and noted that Premier Papandreu finds himself at an impasse. It also dealt with the government reshuffle in its editorial and expressed the opinion that it is linked, without any doubt, to the municipal elections adding, that the government failure is general and the responsibility collective.

**RIZOSPASTIS** (Communist) The recent continuous visits by NATO top brass to our country are indicative of the fact that the government's foreign policy has made a turn backwards.

Following General Rogers and Deputy Air Marshal Terry, now we have General De Carlini, Commander Al-

lied Land Forces Southern Europe. It is a guide natural since the government has entrusted the offensive NATO alliance with the solution of our vital national issues and has let top level NATO military officials proceed with necessary arrangements.

However, the continuing Turkish violations are a clear example of the real interest of the American and NATO imperialists. The government before it is too late, should revise its policy to avoid being trapped in the impasse created by the NATO imperialists. This is what the national interest dictates.

[1 Jul 82 p 5]

[Text]

#### **AFTERNOON PRESS.**

*The pending government reshuffle and the heatwave were the main topics in yesterday's afternoon newspapers. Other news given prominence included a reported Israeli protest over statements by Prime Minister Andreas Papandreou and reports that a foreign trade unionist arrived in Athens yesterday to act as mediator in the bank strike.*

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**APOGEVMATINI** (Opposition) Highlighted the government reshuffle and said that "the changes will be sweeping." The newspaper also projected the heatwave.

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**ELEFThERI ORA** (Junta) Also led with the government reshuffle.

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**ETHNOS** (Government) Projected the heatwave. In its editorial it said that the statistics and forecasts for the economy, both nationally and internationally, are pessimistic, and expressed the view that the Greek people have high expectations from the government restructuring.

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**ESTIA** (Extreme Right) In its lead commentary referred to Mr Averof's statement that democracy will prevail over totalitarianism and expressed the view that for this to occur, a struggle is needed, starting first with the intensive enlightenment of the public.

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**MESSIMVRINI** (Opposition) Highlighted the government reshuffle noting that Premier Papandreou opened up his return from Brussels, and said that the resignations would be handed in most probably on Fri-

day during the Cabinet meeting.

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**TANEA** (Government) Carried the government reshuffle and said that it will take place on Friday, provided that everything develops as planned. The newspaper also referred to the rise in the cost of fruit and vegetables and said that profiting by middlemen was the cause.

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**VRADYNI** (Opposition) Projected the government reshuffle and said that "the party hard-liners are exerting pressure." The newspaper also spotlighted the heat-wave.

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**ELEFTHEROTYPIA** (Pro-Government) So the Israeli government is protesting about the Greek Prime Minister's statements in accusing it that it commits crimes against mankind comparing them with those committed by nazis. "Those statements," said an Israeli government representative, "makes every Israeli and Jew indignant."

What is the Israeli government representative talking about? A few hours before making his protest, 20,000 of his compatriots were demonstrating in Tel Aviv against the criminal war of genocide waged by its criminal government with slogans such as "Down with the New Order in Lebanon."

Who is therefore making Israelis indignant? Is it our Prime Minister or the demonstrating and protesting Jews? One can foresee with certainty that there will be other demonstrations like the one in Tel Aviv reminding us the mass demonstrations in the United States during the "dirty war" in Vietnam. So the criminal pair of Jerusalem will have the opportunity to find out more and more the real feelings of their compatriots which it invokes with the impudence of all monkeys of the world.

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**AVGHI** (Euro-Communist) Projected the siege of Beirut: "Hours of hell for its inhabitants and defenders," and described as crucial the negotiations on the city's fate.

\* \* \*

**KATHIMERINI** (Independent) Dealt with the forthcoming government reshuffle: "Difficulties in the restructuring (of the government) increases government inactivity and rifts." In its editorial it dealt with the problems faced by several daily newspapers and said that "it is the state's duty to stop immediately the financial and

news competition it exercises through the mass media against the daily press."

\* \* \*

**RIZOSPASTIS** (Communist) Said in its headline: "Our people's heart beats in Beirut. In its main editorial it referred to opposition leader Evangelos Averof's statement that when the New Democracy party gains power it will punish severely "those who dared to harm the authoritarian, anti-popular and anti-democratic state established by the right," remarked that he was a "shameless demagogue," and called the government's attention to the matter.

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**TO VIMA** (Government) Dealt with the impending government reshuffle and said that "eight new Under-secretaries will be set up." In its editorial it described as "harmful, inappropriate and not at all serious" the threat by the New Democracy party leader that when his party comes to power it will punish those responsible for "action and omissions of the present government."

CSO: 4600/633

## LOCAL NEWSPAPERS REVIEW CURRENT ISSUES

## Government Reshuffle Critiqued

Athens ATHENS NEWS in English 3 Jul 82 pp 5, 6

[Text]

*The impending government reshuffle continued to dominate the front pages of yesterday's morning press, following by the situation in Beirut and the fate of the Palestinian defenders, criticism of the government's work from New Democracy leader Evangelos Averof in a television address, the mediation by others are being checked and that a price inspection reports that remuneration of plumbers, electricians and others are being checked and that a price inspection control is contemplated for textiles, the recourse by five countries against Turkey at the Council of Europe, the closing of the Corfu and Aegian prisons and reports that 22 per cent of the Greek-owned merchant fleet had been laid up.*

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**ACROPOLIS** (Opposition) Said in its headline that "after the government reshuffle the country will be ruled by chieftains." In its editorial, it wrote that the "state-controlled mass carry out a multi-sided illicit competition" and that "this serves neither democracy nor the country."

\* \* \*

**KATHIMERINI** (Independent) Said in its headline that "the structure and method of the reshuffle is unconstitutional," while in its editorial it wrote that for the first time the government "feels it is its duty to change course" and that the main characteristic of this change "is the effectiveness of the economic policy and successful linking to the EEC economy."

\* \* \*

**RIZOSPASTIS** (Communist) Spoke of "new imperviousness in the restructuring (of the government)" while in its editorial it criticised the Premier's statements about substantial changes in EEC views on an "ideological revolution" and "a historic change" - expressing doubt over these changes.

**TO VIMA** (Government) Reported that "20 new persons" would enter the government with the reshuffle. In its editorial it dealt with the discovery of a ring which issued diplomatic driving licences without tests and licences for agrarian drivers at the Ministry of Communications, and called for the suspension of those responsible and their reference for trial together with those who helped them in their illegal activity.

\* \* \*

*The impending government reshuffle, as in the morning press, was the main topic of yesterday's afternoon newspapers. Other news given prominence included the disturbed in Thessaloniki after the Greek basketball final, the Meteorological Service forecast that the heatwave will return tomorrow, and reports that the Real Estate Bank will start accepting applications for housing loans this month.*

\* \* \*

**APOGEVMATINI** (Opposition) Focused on the government reshuffle, with forecasts on prospective appointments.

\* \* \*

**ETHNOS** (Government) Under the headline "Papandreou has decided," referred to the impending government reshuffle. In its editorial it referred to the waste of money exposed by the President of the Public Petroleum Company (DEP) and expressed belief that "the position adopted represents the correct way of handling the problem of exploitation of oil."

**VRADYNI** (Opposition) Projected Mr Averof's speech. In its editorial it referred to the judicial system, and asserted that the government's responsibilities would be great "if it shakes it even further."

**ELEFTHEROTYPIA** (Pro Government) The 48-hour strike called in the U.S. bases in Greece, gives us the opportunity to remember a "third man" who is not taken into consideration as it should be. It is about Greek personnel employed in the bases without the work of which the bases would be inoperative. The Americans do not hire Greeks for their bases... to help with the unemployment problem in Greece. They hire such personnel in compliance with the bilateral agreement and the conditions there accepted by them. The Americans should therefore, respect their signature to that agreement, and also respect the Greek personnel whose presence is so vital to them. However, things have proven otherwise. The manner by which the Americans treat the Greeks is bad to worse, depending on persons and circumstances. Frequently, there have been incidents, friction and strikes in the U.S. bases because the Americans use every means to oppress and humiliate their Greek employees. Like, for instance,

the present strike. In order to terrorize Greek personnel they fired the union leader and refused to re-hire despite the fact that the Greek government under whose jurisdiction comes such personnel, cancelled his dismissal as illegal. This is another aspect of the problem in the issue of American bases that the government should examine carefully during the negotiations.

**ESTIA** (extreme right). We think that the government representative himself believes that with sarcastic comments on and references to the past of the "New Democracy" Party, PASOK and its apprentice magicians are relieved of the responsibility of bringing chaos to our domestic problems. It is a discordant effort on the part of the government to limit its reply to the overwhelming accusations by Mr. Averoff, leader of the opposition, branding him a "dangerologist" one who always speaks about dangers. What dangers is the government talking about? Sure, one of the dangers is that our national issues are going from bad to worse. Even Mr. Papandreou is now forced to take a turn and lick what he has spat upon so far, i.e., NATO and EEC describing them as the only brakes that would save us from the dangers that threaten us. And what about our economy? Is it not true that it passes through the worst crisis in the post-war years? And is not this a danger? Mr. Averoff was therefore right in talking about a gloomy past and a nightmarish future. Because our national issues and economic problems are pushed to the ravine as a result of the policy pursued by the governing party.

#### Distribution of Cabinet Posts

Athens ATHENS NEWS in English 6 Jul 82 pp 4, 6

[Text]

The main subject in yesterday's Athens newspapers was the government restructuring, in which the Prime Minister maintained the portfolio of National Defence. According to press comments, the new structure puts emphasis in the economic sector.

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**ACROPOLIS** (opposition). Wrote that Prime Minister Andreas Papandreou will now have to take harsh measures in the economic sector to remedy the chaos he himself has created. The paper added that the new persons appointed to Cabinet positions are not likely to improve the prevailing economic situation in any way, "nor do they convince us that they will be able to achieve better results than their predecessors".

\* \* \*

**AVGHI** (euro communist). Agreed that a change had been brought about in the composition of the economic staff of the government, but wondered "if this means that the economic policy of the government will also change".

**KATHIMERINI** (independent). Wrote that with 17 new Cabinet members, "Mr. Papandreou is trying to improve the appearance of the government". It also projected the fact that four Ministers had been dropped, along with five Undersecretaries.

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**ELEFTHERTYPIA** (government). Under a banner headline "The leadership of Greece's economy has changed", wrote that the government intended to deal with the various economic problems by placing technocrats of long experience and known ability in key positions.

\* \* \*

**RIZOSPASTIS** (communist). Wrote that the change of persons in key economic positions "does not necessarily imply that the government's economic policy will change". The paper also projected the arrival today of East German Foreign Minister Oskar Fischer.

\* \* \*

**TO VIMA** (government). Wrote that "the new persons appointed to the government will work under the direct supervision of the Prime Minister".

**ESTIA** (extreme right). Not that it has particular significance, but with the reformation of the Government, Mr. Papandreou achieved what was considered impossible, i.e., to make it worse than before, by removing those who had achieved some small measure of success, by retaining those incapable members and by making various unknowns ministers in important public posts. Of course it is difficult to claim that the previous make-up of the Government is what the country ideally needed, as apart from two of three, all the rest were quite incapable. However Mr. Papandreou retained these incapable members and transferred them to other ministries to prove their lack of ability there. It is this which causes the greatest doubts and fears in the public mind as to why the P.M. insists on retaining these incapable members. One may reasonably assume that the P.M. is under great pressure from the powerful executive office of his party. Given that it is made up of a hard core of Marxists we must conclude the criteria for dismissal or retention of members was purely a party decision. Thus one can only expect the worst.

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**MESSIMVRINI** (opposition). The famous "restructuring" of the government announced the other day did not cause waves of enthusiasm or rekindle the faded expectations of the people. The list of new cabinet members is disappointing. The disappointment is due to two reasons. Number one, is government propaganda in using the cryptic term "restructuring" instead of "reshuffling". What the people saw is a fabulous increase of cabinet ministers and a shifting of previous ministers from one post to another. Number two, the reason is emotional i.e., the people saw that the "restructured" cabinet maintains those ministers that have been a complete failure. The people now understands that its own outcry did not weigh a bit in the delicate party chess of "restructuring". Now, the important thing is that the new cabinet assumes serious government responsibilities during a period so critical to our national interests. The new cabinet consists by one third of non-political persons, i.e., outside of the parliament, a thing which is unheard of in our parliamentary annals. This makes us to be extremely concerned. It is really very dangerous that so many members of the new cabinet are non-parliamentary and therefore responsible only to the prime minister and not to the people through the parliament. Surely, this is not a progress but a retrogress not a "restructuring" but a "destructuring".

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**ELEFTHERTYPIA** (government). The third world war that millions of people feared for the past 30 years has begun. Of-course, it is not a Soviet-American or a Soviet-Chinese war but a war between the United States and Western Europe. And, no one knows yet what the outcome will be. Whoever thinks that this is an exaggeration he can take a look at Greek and foreign newspapers. "Reagan has declared war against Europe" reports one newspaper; "Exchange of blows between the U.S. and Europe" reports another; "Thatcher and Schmidt against Reagan" reports a third one. Some of the German newspapers are using eastern bloc language in attacking the United States. "The planners of American economic policy are using methods of masters towards slaves" reports Frankfurter Rundschau while Noye Presse foresees the Western Europe and America will have a confrontation unprecedented since world war II. This column has never ceased to stress that ever since the Reaganite extreme rightist administration came to power in Washington, the world is being led quickly but safely to a canyon - political, economic and war. Indeed, the war has started somewhere that no one expected.

## Israeli Invasion Criticized

Athens ATHENS NEWS in English 7 Jul 82 pp 5-11

[Text]

**TO VIMA** (Pro-government) The decision made the other day in Paris by representatives of various conservative, liberal and christian-democrat parties to establish a sort of "conservative international", that is, an international union or organization of the conservative parties patterned after the century-old socialist international, might prove beneficial to Greek politics.

We had repeatedly stressed in the past that what we mean when we say "conservative political parties" or the "right" in Greece, has been the most reactionary and retrogressive kind Europe-wide. The joining of the Greek "New Democracy" Party with some conservative parties in Europe which are considered by the New Democracy to be ideological neighbors will perhaps assist New Democracy to disengage itself from the mentality and characteristics which classify it into a reactionary and not conservative party. So, the Greek section of this so-called "conservatism" could take advantage of that meeting in Paris to start modernizing itself.

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**ESTIA** (Extreme Right) Without wanting to act as counselors for the one or the other side of fighters in Lebanon for the famous Palestinian issue, we should not let without comment the report coming from Beirut that whatever was said about "genocide" of the Palestinians by the Israelis are bits of imagination within the framework of the misleading campaign waged against Israel by Greek government mass information media.

As derived from official report, there is not a bit of truth about tens of thousands of dead and hundreds of thousands of dislocated persons. They are merely imaginary numbers.

Naturally, one wonders what is it to us to accept without proof the information deliberately disseminated by the Palestinians. On the other hand, we remain reticent about the horrible crimes committed by the Palestinians against even babies slaughtered in the name of "holy" war. Certainly, no one praises what is happening in Lebanon, but no one has the right to judge things unilaterally.

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**ELEFTHEROTYPIA** (Pro-government) The first time there were 20,000; the second time, there were

60,000. We are talking about the two militant demonstrations held in Tel Aviv by Israeli civilians protesting and manifesting (a thing unheard of for a country in a state of war) their hostility to the two warmongers, Begin-Sharon, and re-affirming their faith in peaceful co-existence with the neighboring Arab peoples.

The second demonstration, especially, was a big slap across the face for the of Israeli government, the killers of women and children and "butchers" of the Palestinian people.

At last, the honorable citizens of Israel can not accept to be branded neo-nazis. Now, with mass militants, they should march for a direct confrontation with their government demanding respect of international law by Israel. Perhaps it is the only solution, coming from a sector that the "blood-stained hawks" of the Middle East had not taken into consideration.

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**APOGEVMATINI** (Opposition) Observed that Prime Minister Andreas Papandreou has responsibilities and authorities never before experienced by other Greek Prime Ministers.

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**ETHNOS** (Pro-Government) Opined that the Prime Minister will give strict orders for the speeding up of the government's objectives. In its editorial it projected six of the most acute problems which the government must tackle and observed that the government's decisions on these problems will be crucial.

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**TA NEA** (Pro-Government) Opined that the immediate goal of the government economic staff, transformed with the reshuffle, is for the creation of major projects and jobs.

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**VRADINI** (Opposition) Wrote that the new government: "Denied all expectations". In its editorial it expressed the opinion that the restucture will prove to be a lot of noise over nothing.

CSO: 4600/648

## CONSTITUTIONAL REVISION DRIVE LOSES MOMENTUM

Lisbon O JORNAL in Portuguese 25 Jun 82 p 4

[Article by Fernando Antunes: "Slowness and Some Disenchantment"]

[Text] With some slowness and a symptomatic willingness to "let things go," the constitutional revision has been running its course without any great feats or surprises.

"Ease" has been the hallmark of the voting and of the debates preceding it, and "ease" that does not mean transigence or accommodation to the opposing propositions, and that is more the result of an almost universal detachment from what is being discussed and voted on at Sao Bento. Why this detachment, this almost indifferent state that has prompted some deputies not to listen to their peers, to turn their backs on them, to amuse themselves in noisy private meetings and to jump from bench to bench while the presiding official and the chair pretend to be striving to bring some order to the sequence of events, imploring them to stop the group conversations and the lack of motivation which they cause?

Someone at Sao Bento said this week that all of this has an explanation, and that if the deputies appeared uninterested, it was because they are aware that they would not be voting on anything really important. In fact, after so many promises of perseverance by the parties and the deputies in the constitutional revision, the facts have not confirmed that interest or that perseverance.

According to some, this state of mind, regardless of whether or not there is at this point a political desire at least as determined as it appeared to be less than 2 months ago, has a very simple reason: The Constitution is something highly respectable; everyday matters are something else, quite different. On the one hand, there is a venerable code of intentions, something invoked in the name of unassailable values; and on the other, there is the certainty that the common laws will shape and perfect the Fundamental Law when they want to disrespect it or ignore it, disdaining it when called upon to legislate, horrified by what is more progressive or advanced in its content. And they may think that, after all, it makes no difference, because the ordinary legislator will always have ways of getting around what the Constitution impedes; so the majorities allow it and the institutional leaders agree to it, as sounding boards for the government, which is the spokesman for those majorities (there will be reserved for the future Constitutional Court, as an organ that will monitor the constitutionality of the

laws, an historic role if, owing to its composition, it does not come to be the unbiased organ and authentic interpreter of the Constitution).

### Rights, Liberties and Guarantees

The work this week was dominated by workers' rights, liberties and guarantees (workers' commissions and rights of those commissions, trade union liberty, rights for trade union associations and collective bargaining, the right to strike and a ban on lock-outs); and also by economic, social and cultural rights and obligations (right to work, workers' rights, social security, health, environment and quality of life, family, fatherhood and motherhood, youth, the aged, education, culture, science, etc.). This was all relatively peaceful topical matter, generally subject only to slight readjustments, in most instances merely the requirement of a better formal systematization. This is the only explanation for the fact that, as Almeida Santos told us, up until now 80 percent of the issues voted on have been voted in a relatively peaceful manner, and even with PCP [Portuguese Communist Party] approval.

This virtual unanimity (with exceptions that we shall observe later) means, for most of the concrete acts comprising everyday life, that the consciences may be clear and that, once the revised text of the Fundamental Law has been approved, many people will wash their hands of it, in view of the possibility of violations of the Constitution, actually forgetting what it was sworn to defend when the principles were approved. One example given by a deputy from the labor sector: The Constitution guarantees the workers job security, and layoffs without just cause or for political or ideological reasons are prohibited. But what will be considered in determining what just cause is? How many times has mere jealousy been confused with just cause for layoffs? Political or ideological reasons? But how many devices have been used to distort the intention of the constituent members of '76 and to sink into the mire of concepts as vague as those defined as political or ideological reasons? Where is the respect for the Constitution? Since what it represents and the deviations that it has withstood, as a frame of reference, are, moreover known, it would not be difficult to understand (as an "old" deputy pointed out) the superficiality and the arrogance with which many members of Parliament have been confronting the responsibility for its revision.

### National Health Service

There are two very concrete examples to help us understand what is going on in the plenary session, both symptomatic of what has been said: the control of management and the National Health Service. In the first instance, it is known that the Constitution established the workers' right to exercise control of management in business firms, through the workers' commissions. This has obviously been more of an aspiration than a principle established by practice, despite the fact that it is known that, in some instances, in the state's enterprise sector, the control of management by the workers, in addition to its overseeing action, has had the merit of representing a major means of stimulating and dynamizing the action of the public managers. The deconstitutionalization of this right, which AD wanted, although it subsequently withdrew its proposal, would be the first step, as the opposition groups interpret it, toward its later banning by means of common law. This is because even the participation in the management

of the business firms and in the reorganization of productive activities, as was upheld in the AD proposal, would be limited in the terms which the majority understood to be established in the law (to be interpreted as the government's decision), and to what was granted by the statute on business firms (to be interpreted as autonomy in decision-making and free judgment).

Accused by the opposition of using a note of excuse or a letter of good intentions with big management (AD is said to be discredited in its government action among sectors to which it sought to give privileges), the AD parties played a card that they knew would not be accepted by PS, even in the context of an understanding based on consensus. But, at the same time that it was rejecting control of management, AD was accused of taking refuge in the theoretical defense of joint management, by not accepting the constitutional establishment of the workers' participation in the management of business firms, albeit subject to law. But how can it uphold joint management (uphold it in the constitutional text) when its governments are actually known to have refused to give office to the managers elected by the workers' commissions? The question was asked behind the scenes, while in the plenary someone gave a reminder of the experience of other countries in which the workers found, a long time ago, that the decision-making capacity in joint management is a trump card that escapes into the hands of the management entity.

Another exemplary instance is that of the National Health Service [SNS]. AD did not succeed in "deconstitutionalizing" the principle that the right to health protection would have to be fulfilled by the creation of a national, general and free health service. And it suggested, something that was refused by all the parties to the left of it, that this right be insured by a National Health Service under the terms of the law (to be interpreted as the government's common law). Hence, there was rekindled the old dispute led, on the one hand, by Deputy Antonio Arnaut who, both in the capacity of minister of social affairs and deputy, fought boldly for the establishment of the SNS; and, on the other, by the AD governments which, upon coming to power, immediately rejected that model, considering it demagogic, financially intolerable and virtually lunatic.

And Antonio Arnaut was again able to speak in Sao Bento with the tattered parliamentary group dreaming of a general, free SNS (a closed issue for PS at an acting commission headquarters); while AD continued to tell him that this stubbornness was the result of a demagogic lack of realism. After PS ceased to be in the government, several solutions emerged, all of them failing to uphold the constitutional model which now remains unassailable, even though no great practical or binding implementation is augured for it. At least no AD government will agree to abide by the Constitution and make a 180-degree shift from its traditional theses.

#### Voting Postponed for Lack of a Quorum

The disenchantment that has permeated the plenary is, therefore, not dissociated from the "laissez faire" attitude with which many deputies treat the importance of their vote. Involuntary neglect, accumulated distractions, a yearning for vacations and effects of the asphyxiating heat are, on the other hand, attenuating

reasons because they are human. But they have not arrived, even though the president has excused them from the inconvenience of rising from their seats when called upon to vote. Perhaps for this reason a let-down in habits is becoming common, paralleled only by the excessive slowness in the reaction to the violation of the rights of journalists, such as the one which took place this week involving our colleague from Commercial Radio (see article by Antonio Duarte).

But the reason for this disenchantment (the term is not ours, but it expresses a widespread dissatisfaction) seems to be different, and not merely physical. Among many of the parliamentary groups there is a feeling of frustration concerning what has been interpreted as a slow, inevitable depletion of the deputy's function. The latter has become increasingly a transmission line for the uncontrolled desires of those at the top, and he has few outlets remaining to him: Either he accepts with his eyes blindfolded the submission and discipline imposed on him, which has been proven, at least in the case of one of the parties, to be inseparable from the right to keep or lose his seat (and then nothing will happen to him), or, daring to oppose the power of the leadership structures, defying the monolithism in their structures, he risks leaving forever the ancient abbey of the Benedictine friars.

It is certainly not by chance that this disenchantment that has transformed the deputies into individuals uninterested in what is going on around them (four votes were postponed for lack of a quorum) is occurring just when from all quadrants of the semicircle manifestations of a disturbing radicalism are appearing, bringing into question the balance of the parliamentary institution and its very credibility. In PSD [Social Democratic Party] there was the case of the PRP [Revolutionary Party of the Proletariat] and the removal of authority from the parliamentary group by the Political Commission, as well as the dismissal of Manuel Pereira, culminating a long-standing crisis in the leadership of the Social Democrats. In CDS [Social Democratic Center Party], it was the abdication of Rui Pena, proponent of lively activity in Parliament, without demotivating obsequiousness, who was disregarded in the orientation of the debates in PS, and the forced dismissal of Salgado Zenha, from whom another organ, not the one that elected him, withdrew political confidence. In other quadrants (who knows?) other ills may be breeding, although they are more protected from the public's curiosity.

"It is the crisis in the parliamentary institution," argue those who are most resigned. "It is only the crisis among the leaders and the clash with the leadership structures," comment others. "But if these deputies don't want to be here then they should not be surprised if General Eanes dissolves Parliament, allowing others to take their places," claim those with responsibilities for managing the work who have no solution other than to request the postponement of voting, in view of the constant absence of their deputies and the lack of a quorum required by regulations. AD and PS are the ones who resort most to this new regulatory feature as a means of concealing the irregular presence of their elected officials.

But another expedient is also being constantly used, that of the submission of the proposals and of the text based on consensus itself to the special commission, almost always to prevent the obvious weakness of the compromises that led to the agreement by two thirds from being questioned through last-minute differences. Moreover, the features of the debates have been marked by insistence on the

retrieval of proposals which have been defeated at the acting commission's headquarters. There, the parties (from one extreme to the other, without exception) are concerned only with satisfying their clientele, proving that they did as much as they could, albeit unsuccessfully; because what they have not achieved in the acting commission they can hardly achieve in the plenary.

For example, the parliamentary groups to the left of PS could not prevent the establishment in the Constitution of the right to a movement for the trade unions, as a "process of confrontation among the workers"; while some rights of the workers' commissions did not obtain a statute with constitutional status, whereby they would have opposed the AD parliamentary groups. The latter, for their part, had no better luck when they thought that it would be easy to constitutionalize the ordinary provision whereby the exercise of the right to strike cannot "interfere with the rendering of minimal services essential for meeting the basic national requirements."

2909

CSO: 3101/52

## AD, PS MAY MODERATE CONSTITUTIONAL NATIONALIZATION PROVISION

Lisbon O JORNAL in Portuguese 2 Jul 82 p 4

[Article by Fernando Antunes: "AD Tries to Convince PS to Drop the Nationalizations"]

[Text] As we embark upon issues of a more polemical essence, such as the socioeconomic organization, a prelude to others that are even more controversial, such as those with the organization of political power as a backdrop, the pattern of other debates is being repeated: the traditional night sessions. Could this be the most desirable method for a debate such as that on the constitutional revision?

Experience has shown that the expedient is inadvisable, unless there is really a desire to succumb to confusion, disorder and chaos; and unless no one cares what will be said in the future when someone argues that positions assumed in the plenary cannot be taken literally, for the simple reason that fatigue and sleep overcame the deputies, making them an easy prey to the most varied devices, including some that would risk the physical collapse of those least resistant.

It would not be unprecedented, and the pages of the "Journal of the Republic" are replete with examples: considering what was not said to have been said, claiming that everything was done in a state of exhaustion, and detracting from the practical effect of the decisions and the commitments accompanying them. If I am not mistaken, it has already occurred in connection with the laws on agrarian reform and rural reorganization, and others the voting on which took place after lengthy night vigils.

We do not know whether this situation will be repeated; but everyone at Sao Bento is expecting it. And the one in charge of support services for Parliament has already circulated a note banning the intrusion of leave and warning that each and every official will have to make the vacation period contingent on the progress of the "service requirements."

Sincerity?

The mobilization is under way, despite the fact that there are some who maintain that all this acceleration is merely theoretical, and that it by no means reflects the intention of either the AD [Democratic Alliance] parties or PS [Socialist Party], both of which, for different reasons, are less interested

now in having matters decided on hastily: AD, because it is not certain as to whether or not the president of the republic will dismiss the government after the constitutional revision, is said to be thinking of its own survival (and, by extension, that of the deputies of all the parliamentary groups, since it is known that many of them will not return to Sao Bento); PS, struggling with the atmosphere of internal conflict which has not been dispelled entirely, particularly on the level of the after-effects of the elections, and desiring to postpone the local government elections as long as possible, would not accrue any benefit from a solution that precluded its recovery from consecutive shocks. But this scenario is the one resulting from speculation that is causing agitation in the wings. Quite different is the tone of the most recent statements by Mario Soares (at the local government convention in Almada) and the conclusions from the AD summit, both agreeing in the matter of hastening the revision of the fundamental law.

And if this is what is going to happen, let us meanwhile observe what has occurred thus far, *de facto*. The special regulation which governs the debate calls for a total of slightly over 6 weeks for all the parties' speeches. Based on this provision, and on the assumption that the parties will use up all their time, many deputies considered it possible that the debate (which began on 7 June) would be concluded by the end of this month. Moreover, apparently in keeping with this understanding, the Standing Commission called a supplementary session until 31 July.

However, it has been confirmed that, of the periods stipulated in the regulation and already used up, only a quarter has been deducted from the parties; in other words, the debate has progressed four times slower than the speed of the periods distributed to the parties and the time spent in the sessions devoted to the revision might have indicated. If this pace is maintained (which was still rather slow at the beginning of this week), the debate on the revision in plenary session will not end until nearly 18 or 20 weeks after the date stipulated (31 July); in other words, during December, or even later.

However, the debate in plenary session to which the special regulation applies is not everything. The subsequent work of the parliamentary commission (which drafts the decree on revision), the bureaucratic formalities and the publication of the decree will also take a period of time which might be added to the one resulting from that outlook. And there must also be added to it the time that will be spent untangling the proposals that come down to the specialized commission, some of which (amazingly!) will come when there has already been consensus for their approval by two thirds of the deputies.

#### The Demarcation of Sectors

With a certain amount of good will, and considering that there is an attempt to row against the tide of a certain amount of laziness, we may end this week with the economic organization exhausted. These debates have already had an ideological guise different from the one which marked a less important part of the revision (that of the rights, liberties and guarantees), wherein no major differences appeared.

The place which has been reserved in the fundamental law for public and private enterprise, the usually controversial aspect that involves the political discussion of what should be allowed or prohibited for both, has actually lent this

part of the Constitution the preeminence that was already anticipated. And this afforded a first sample of another debate, the controversial tone of which will certainly assume quite respectable proportions: the revision of the law to demarcate the public and private sectors, which has often been attempted and always been rejected; a revision which, if it is achieved, will lend material substance to Balsemao's promises concerning the restoration of private banks to the public area. It should be recalled that these promises have been depicted as objectives which could be fulfilled following the revision of the constitutional text, and that Mario Soares mentioned them at a meeting with northern business owners.

According to PCP [Portuguese Communist Party] and UDP [Popular Democratic Union], a first step in that direction was taken, meanwhile, with the abolishment of Article 80 (on Fundamental Principles) and its replacement by a text emanating from the acting commission, a text which resulted from the consensus obtained in a commission between AD and the parties of the former FRS [Socialist Republican Front] (PS, ASDI [Independent Social Democratic Association] and UEDS [Leftist Union for Socialist Democracy]). Hence, the socioeconomic organization has ceased to be based on the development of socialist production relations, through the collective appropriation of the principal means of production and the land, and becomes governed by a set of principles which, according to PCP, reflect a more or less prepared strategy: subordination of the economic power to the democratic political power; coexistence of the various sectors of public, private and cooperative property; collective appropriation of the principal means of production and the land, as well as natural resources; democratic planning of the economy; development of social property; and, finally, the democratic intervention of the workers.

#### 'Collusion' Rejected

This text, inspired by FRS [Socialist Republican Front], is opposed by the votes of PCP and UDP, and that of the independent Jose Manuel Casqueiro who, as we know, was elected on the CDS [Social Democratic Center Party] tickets. MDP [Portuguese Democratic Movement] has serious reservations against it, but has not gone so far as to vote against the change. Despite the fact that AD accepts the text based on consensus, it did not fail to submit an alternative proposal to the plenary, which has not met with defeat in the acting commission. On the basis of this proposal, the economic organization would be based "on the diversity of enterprises, on the existence of the private, public and cooperative sectors and on the subordination of the economic power to the political power." This proposal was defeated, also in a plenary session, and only served to satisfy a foreign clientele system (a goal which is common to the other parties) which has not been entirely pleased with the compromise solution found with the parties of the former FRS.

Obviously, this first essential modification has different interpretations. According to PCP, the elimination of the two principles represents, in brief, "paving the way for future AD maneuvers aimed at destroying the public sector and the nationalizations, and eventually returning to its paradise, to the empire of big monopolistic capital." According to AD (as Veiga de Oliveira stressed), it is an effort to facilitate fulfillment of what has already been agreed upon publicly with Mario Soares in the realm of the revision of the Law on Demarcation

of Sectors. It is an effort to make openings in the wall so, that, combined with other changes planned in the area of control of the constitutionality of the laws, specifically, in the composition of the Constitutional Court, it will be possible to implement what has already been proclaimed by the prime minister: "We shall have the private banks by the end of the year."

This alleged "collusion" between Balsemao and Soares was promptly rejected by those heading the debate in the Socialist parliamentary group. PS did not consider socialism from a symbolic standpoint, but rather as something that would be achieved through a set of socializing measures adopted progressively. Moreover, PS has kept intact its positions on the irreversibility of the nationalizations, and is said to be ready to demonstrate the "unreasonableness" of the Communist interpretation when the new law on the sectors reaches the plenary.

The AD parties, in turn, received two of the paragraphs of the set of principles as "a lesser evil": that on the collective appropriation of the principal means of production and the land, as well as natural resources; and that on the development of social property. PCP did not consider this "backing down" to be gratuitous, something that may be tested when it is time for the changes proposed in the area of organization of the political power; while CDS, without attaching major importance to the provisions that it has accepted, tried to explain that they can be interpreted only as recognition on the part of the Socialists that the economic model was experiencing obvious progress and an appropriate evolution within PS. Luis Beiroco concluded: "The maximum controls and a minimum of appropriation: this is all that PS would actually want." But, from all indications, not even this was considered acceptable by the well-known leader of CAP [Portuguese Farmers Association], Jose Manuel Casqueiro, who rejected directly (radically, in comparison with CDS itself, with whose group he is seated) all the provisions, based on the repudiation, in particular, of the principle of "collective appropriation of the principal means of production and the land," which has also not ceased to be a symbolic provision that the Constitution will retain.

The fundamental question is said to be posed by MDP, in terms that have not met with approval from some observers: Article 80, as a basis for economic organization was for the Economic Constitution what Article 2 was for the Political Constitution. If it did not renounce the second of these principles (that of the retention of socialism on the visage of the Constitution), and if it was permissive regarding the elimination of the first one, for reasons of symbolic rejection, the PS' position, according to some observers, has at least one explanation: to reduce the controversial burden created by the maladjustment between Article 80, which has now been eliminated, and the country's real economic situation, preventing the Economic Constitution from continuing to serve as an alibi to justify the government's failures.

#### 15-Day Moratorium

But it would appear that, in another area, AD is persisting in convincing PS to accept the principle of the reversibility of the nationalizations. The Constitution states that all the nationalizations carried out after 25 April 1974 are irreversible conquests by the working classes. The Socialists and the entire

opposition would not renege on the maintenance of this provision, as it stands, and there is every indication that each and every attempt to prompt PS to any backing down will fail.

The AD parties may not be fully convinced of the PS' inflexibility, and proposed a 15-day moratorium; in other words, Article 83 would go down to the commission jointly with its proposal calling for an intermediate solution that would have the "complicity" of the Socialists. AD would accept the irreversibility of all the direct nationalizations carried out after April 1974, until the date of publication in the "DR" [Journal of the Republic] of the first constitutional revision; something that would represent a concession in comparison with the intolerance that has been shown. But it would leave out all the instances of nationalizations resulting from the direct ones, and the former could be denationalized by a law passed by a two thirds majority of the deputies present.

If this principle were accepted, in the present correlation of forces, PS would become the judge of the denationalizations, because without its votes no law would have the desired effects. Obviously, PS rejected this proposal, which was so unappealing, and Almeida Santos went so far as to ask whether its proponents were aware of the risks that the acceptance of the principle would hold for the Socialists if, in the negotiations for a hypothetical government coalition, the denationalization of one enterprise or another (or of groups of enterprises) were to be established as an obligation binding on them.

2909

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## PROBLEM OF PORTUGUESE NATIONAL SOLIDARITY ANALYZED

Lisbon O JORNAL in Portuguese 18 Jun 82 pp 12-14

[Article by Antonio Sousa Franco: "Portugal--Unity or Division?"]

[Text] This past May was marked by three developments. Violence--a warning of what lies latent beneath the "mild habits;" the keen expectation of the visit of Pope John Paul II--one must wonder if this is a seed of the future or only a parenthesis in the present; and the return to the morass--that deteriorated situation in which our country is sinking.

First, the worrisome repetition--now that we have democracy--of a violent 1 May. It is after all yet another fruit from the tree of hatred, irrigated by the polarization, radicalism, the political and social guerrilla warfare and the injustice which, in order to maintain their feeble authority, so many are continuing to inject into the social life of a peaceful people. It is also yet another instance of irresponsibility and impunity, in which both the victims and the guilty parties are implicated, in the silence of complicity with which the borderline between good and evil is being obliterated, responsibilities are blurred and the clear and overt exercise of freedom and authority is being devalued in the Portugal of today. None of this is accidental, but rather merits contemplation, when increasing social tensions and political guerrilla warfare are joined together in a climate in which those seeking to polarize encourage ideological and social identification.

Then came the pope's visit to Portugal. The strong mark he made on the collective conscience of Portuguese citizens had more to do with the vitality of Christianity in the hearts of the people than the hypocrisy of a certain opportunistic leading class. It represented the clear emergence of a positive aspect in Portugal, in clear contrast to the negative aspect of public life which is alienated from the real aspirations and needs of the national community. It was more of a pilgrimage, an act of ecclesiastical communion--in the faith, in the sacraments, in the doctrinal office, in the pastoral exercise, in the evangelization shared with Portuguese Catholics. But it was also an act of conviviality and dialogue with all Portuguese citizens, seeking in fact communication with Portugal, in confirmation of the factors in our historical identity, our cultural essence, our future projection as a nation.

## Values and Emotions

There have already been comments from all sides on the notable aspects of the visit, from the enthusiastic welcome by a Portuguese people profoundly aware of their roots to the quality of the basic messages. It is important to stress certain points which will create ferment in the Catholic community--an issue omitted in a commentary intended to pertain purely to the national sector--and among Portuguese citizens. These are the message of hope within difficulties; the importance of culture, as a permanent, existentially free and liberating aspect of life, of the people and of our cultural projection, the basis of the coexistence of the legitimate exercise of power and the aspirations for the future; the overcoming of the national identity crisis, within its own context, through historical continuity and the freedom of the present; the primacy of dialogue and coexistential tolerance in developing a consensus in a network and fabric of cohesion strong in solidarity (our beautiful phrase "to speak means that the people understand each other" and the timely commentary by John Paul II make an excellent synthesis of these many varied aspects); the appeal to moral values, understood as something intrinsic to culture and the life of the people, not as an evil code to be applied by evil courts; the constant appeal to young people and their future world; the assertion of the primacy of labor as an act and a moral responsibility, of agriculture and the world of production in general as spaces which should be governed by freedom, justice and solidarity. These values are basically uniting and not divisive, universal rather than characteristic of any party or club, national rather than pertaining to any faction or group. They are the profound values of our civilization which, when proclaimed with singular communicative heat in the language of Portugal, serve to prove that the people of Portugal can be enthused, can be incorporated, can be mobilized. But only when it is worth the trouble.

Along with this, there has been the customary political opportunism. Wouldn't this be inevitable? Everything good has its dark side. However, it would be well to reject out of hand the efforts of the big economic interests, these "new Catholics" who have never been to mass and who today are peddling or appropriating religious words and gestures. It is necessary to combat this new simony involved in profiting for partisan purposes from the Scripture, the sacrament and the institution, attempting through the church to arrange a prop for temporal parties, powers and interests much less noble than those of the message of Christ, merely perverting and acting as parasites, drawing from it that strength which in themselves they lack.

It is important in Portugal today to reassert the universalist--and Catholic--pluralism which is the essence of the whole church, and cannot be identified with any political movement in any of its official or unofficial institutions--and the more so since all of those attempting to deprive it of its evangelical content and to place themselves within its strong and striking shelter in order to appear as Christians, which they sometimes are not at all, even, or as the Christians, which all in all they cannot hope to represent, or as the church, which they are to an even lesser extent, but try to appear to be--it is in this partisan temporal action that one of the worst forms of a certain modern secularism is to be seen.

Rejected though the partisan opportunism occurring outside the church has been, the pope's trip provided vivid examples of this, not only to Portuguese Christians, but also to Portuguese citizens of whose education the Catholic frame of reference is a basic part. But in the end, however, everything became the same as it had been, but with the impression that the contrast with the negative aspects of today's political and social life made their emptiness and inconsistency even clearer. Where there had been enthusiasm, celebration and popular mobilization, there was a return to disillusionment, despair, criticism of or lack of belief in the politicians and leaders, so much a part of daily life in Portugal today (let those who travel from their rural surroundings to the government offices and the cocktail parties without any feeling for the people except as background or decoration not be deceived thereby). Where a real consensus, full of vitality, had developed, there was a return to indifference, intrigue, special interests, all those things those with moral principles flee and on which the people turn their backs. Where real problems had been raised and there had been a spirit of dialogue, noble discourse in Portuguese terms which were simultaneously high in level and clear, there is again now only the chattering of parrots, mediocre communication, intrigue, petty questions, false issues and the immediate concerns of the only existing authority, and nothing has changed. Or else the forms have changed without alteration of content, like a kaleidoscope of illusions already experienced. Where there had been discussion of moral values, immorality returned in politics, in the economy, in everything--shady dealings, blatant corruption, incoherent discussion, vacillation and lies. Where there had been communion and profound solidarity, there was a return of the non sequiturs of the deaf, the egotism of factionalism, of special interests, of personal motives, the shout "wolf, wolf!" for the thousandth time, with nobody believing (like the thief who, each time he steals, points at another and shouts "Stop that thief" to divert attention). There was a return of divisiveness, disregard, daily cultivated hate, ill-mannered conflict established in the state bodies, confusion of the Portuguese state with the state in which some people are... so long as they are allowed to be. Where the people of Portugal had felt identification with the values of a culture given meaning by their national feeling--a glorious history, a language among the greatest in the world, a universal presence, their own civilization--there was a return to national shame, ignoble daily pettiness, constant scandal, quarrels and paltriness.

I do not speak of these as changes by chance, since I did not expect a miracle of the pope's visit--the miracle of Portugal will have to be brought about by its citizens. The demonstration of the fact that what I had described is possible was a miracle, already: enthusiasm and mobilization is possible, a lively rather than resigned consensus is possible, it is possible to deal with the basic problems nobly and through dialogue, it is possible to reassert moral values, it is possible to make solidarity prevail over egotism, and it is possible to have again the pride of nationality, enjoyment of being Portuguese. Without all of this, on the basis of the democratic formula for coexistence which we fortunately enjoy and the external peace which fortunately we have won--these are the two legacies of 25 April to be safeguarded--Portugal will continue to vegetate and to slip toward the chasm. In

particular, I stress the importance of regaining pride in being Portuguese. It is necessary to rise above the traumas of decolonization--which in the happy words of Azeredo Perdigao, put an end to the empire but not to the fatherland--and the unfortunate break with our history created by the forces which dominated after 25 April. But it is also necessary to overcome the complex of bowing to Europe, going about the world begging, rejecting our national character and accepting the foreign imposition of "natural" changes, resulting from the disparate view of joining with Europe held by the dominant pro-Europeans, which made it unpopular and threatening.

The partisan, mediocre and unworthy way in which the Camoes commemoration was observed in 1980--again, a clear symbol--is a plain indication that the citizens of Portugal must either collectively regain their enjoyment and pride in being Portuguese, or the incompetence of their leaders may in time lead to a divorce between democracy and the country. This divorce, should it occur, would resolve nothing, since only under democracy--but with other actors and in another play--can a people such as ours find their destiny. But this is a collective life project, which goes far beyond any political system.

#### Same Old Story

Everything then is the same once more. But it seems worse, not only because the rot is noticeable and smells bad, but because the contrast with the days of May is painfully evident. And it is worse because the crisis, without a suitable response, pinches. At the fair of moral values, never have prices sunk so low. Incoherence reigns. Those same people who less than 3 years ago proclaimed that partisan questions can only be resolved within the parties and that party obedience is the only duty of the deputies, even when it goes against national interests, are now dragging their party squabbles into the public streets and rejecting obedience for reasons of individual importance: if they have no shame, let them at least have a memory.

It is plain that the economic and financial situation has never been worse since World War II. But as there are elections imminent, no one speaks the truth or takes the indispensable steps in the confused and unpleasant stagnation which is our economic policy. The lack of a response to the crisis is the result of government without a program or a compass, with areas of notorious incompetence--housing, health, education are examples in which lack of capacity is not limited to watching the crisis passively, but is aggravated by erroneous steps.

It is known that injustice increases in the midst of crisis and that social tension has been growing worse, measured in terms of the waves of strikes which, even when they are political, express a profound discontent, without the slightest suggestion of social dialogue, without any social policy, without any coordinated and truly negotiated plan for responding to the crisis. It is a known fact that Portugal's interests have little weight in the world, being instead rather systematically minimized. It is known that the dwindling of the power of the secret arrangements of the highest party leaderships created a threat to the regime, and that progressive restriction of these

leaderships to the most mediocre and the least serious (with the exceptions always to be found) is leading to a divorce between the best in the country and its cultural agents--ranging from the people to the qualified cultural influences--and the power structure. There is a clear separation between the interests of the politicians' class, which should serve the people under its control, and the needs of the Portuguese citizens in general.

The power structure is not yet being used against the culture, but there is a profound dichotomy between the two, between the regime and the life of the citizens, which must either be overcome or may lead to the winning of power, in the name of culture and of efficiency in the solution of the problems of the people, by groups which again may challenge the weak and tenuous existing democracy. Now the problems of the economy cannot be resolved without a capable regime and it is clear that the only thing exempt from this is the personal prestige of President Eanes--which, not being a normal phenomenon, is the result of his own merits and the demerits of others, and should be utilized for democracy instead of being talked down by the incompetents.

What answer then is sought by the geniuses in this political class? To reach agreement with the president in a governmental pact--or more broadly, a program for national development? To create conditions for the civic, cultural and political participation of the citizens, ventilating and enriching a now stagnated political and social life? To strengthen pluralism and alternation in power for the existing party structures? No, quite the opposite. Where the president is concerned, they want amputation of his powers and war to the death, in the expectation of one of two things: that they can create once again, from outside, baseless hopes for a providential solution which the democratic awareness of the president has avoided (which does not mean that in the general and accelerated deterioration, it can always be avoided), in order to discredit those who have allowed expectations to develop without satisfying them; or to push the president into hasty errors when faced with contradictory and equally senseless demands (for some, support of the AD [Democratic Alliance], for others, dismissal of a cabinet with a parliamentary majority, and dissolving a parliament said not to be representative but asked to undertake constitutional revision, its most important task).

#### Monopoly Held by Rigid Party Structures

The sages are applying a sage treatment to the dangerously deteriorated system. They are strengthening the monopoly held by party structures which have ossified and never been renewed. They reject a referendum which, being unconstitutional, could only be--and I think should be--organized following constitutional revision. And I am amazed--or perhaps not, but hypocrisy should be denounced--at how the AD maintains silence on this point, which now and only now can be raised--as was the case earlier in 1976, at which point, again almost alone, I defended a referendum on the constitutional text.

Rejecting the candidacy of independents in the local self-governing bodies, their greed to gobble a few more crumbs of the small portion of power is such that even a cabinet reorganization is criticized, not because it would advance

incompetent individuals (which in this instance are not that), but because it would put independents, to whom laughable party alternatives are offered, in the cabinet. Party discipline is becoming more rigid than military discipline--leading individuals to deny their sworn statements, to vote against what they have promised on their word of honor, and converting party leaderships into sovereign bodies which hold secret proceedings to discipline deputies for the exercise of their mandates. (And why not for ministers, to judge their cabinet actions? And why not, tomorrow, party presidents, subject to the disciplinary process by the base levels in the areas where they live, because of their actions in this or that state or sovereign post? And why not judges, now made partisan with the unfortunate proposal concerning the constitutional court?) All that is lacking is to calculate the consequences of converting the agreements among parties into law, dispensing with the presence of these inconvenient deputies, and changing only a single party leader, who would exercise the mandates of the deputies elected by his party. As things are going, we are getting there...

In brief, the corporative monopoly of the parties is becoming institutionalized, and the discipline of the party leaders of sovereign organs is becoming almost military. With all of this it becomes plain that instead of regarding the party as an open manifestation of the freedom of association, which tends to be, for practical reasons, the main form of participation in politics, other forms of political participation, and even the fundamental rights of the members, are being limited to that form.

It is already known that the parties are supposed to be basic elements in modern mass democracies. But one is concerned about the "national union" reflexes and those of vestigial Stalinism so common among their leaders (sometimes due to long habit), which lead them toward frequent "witch-hunts" as a way of resolving or concealing internal problems. Maintaining proper proportions, the mark of the Holy Inquisition, of Salazarism, heresy and "crimes of opinion" is still to be seen in many recent aspects of party life, and is leading to a structure and a practice which is increasingly removed from democracy, which is above all a way of life.

And the indirect dictatorship of the member over the citizen is becoming established, since the "multiparty corporativism" of which Vitorino Magalhaes Godinho spoke was strengthened, instead of being made more flexible. At the same time, the state-controlled mass media--which are controlled by opinion groups throughout Europe--is being made partisan, as is the frightening constitutional court of parliamentary origin, with its judges chosen by the parties.

Is the party system at least being developed in this way? Is it producing an alternative? Is the participation of various factions and the national mobilization effort being strengthened therein? Those who are witnessing the daily spectacles in the largest national party, those who see the sad situation which the PS [Socialist Party] finds itself can answer in good conscience. Where is the mobilization, where is the participation, where are the alternatives?

## Solidarity Agreement

How can we emerge from this situation? Tired of preaching in the desert and defending exactly the opposite of what those who are burying our national hopes are doing, I will mention only a few basic points. For information purposes, although I already know that the gentlemen who command in the system will do precisely the opposite, within the inefficient framework of their pedagogical self-importance....or not even that.

1. Prompt completion of a wise revision of the constitution. It is obvious that completing the constitutional revision is the first duty for the survival of democracy. There are obvious aspects of the revision--such as the elimination of the Council of the Revolution--which make this urgent. Although I will wait until a future article to comment on its content, I venture to think that to include precepts in the constitutional revision which weaken it means weakening the democratic system itself. Now it can readily be foreseen that because of where it leads, this process is only reducing rather than increasing the possible support of the constitutional compromise. The right wing will seek to maintain its present reserves once the revision stage is over. In the center, to undertake revision in opposition to Eanes means reducing its support substantially (in addition to destroying it in the popular strata). For the socialist left, undertaking revision in the midst of a noisy quarrel within the PS means not only forcing Mario Soares to pay the full negative price for the revision (the fruit of which others will harvest) but also making it less acceptable to the PS than the constitution itself. Obviously, the PCP and the extreme left wing are opposed to the revision. In brief, weakened support, rather than new or stronger support. Is it by weakening the constitutional commitment that an effort is made to strengthen democracy? The question remains.

I hope that there is still time to prevent the revision from becoming the cause of the destruction of the PS--what it has lost with the errors it has been committing one after the other is quite enough--or a clash between the PS leadership and the president, two other possibilities for the democratic institutions. I hope that there will be enough good sense to revise the aspects of the organization of the political authority by means of which--let us avoid lawyers' pettifoggery--the proposal really reduces the president's powers (although it does not alter the political image of the president, for not even the parties are strong enough to do that) and creates an unspeakable and at the outset disqualified constitutional court. The priority for the revision cannot be denied, after so much time lost. I hope that another capital error will not be made here.

2. If the revision is undertaken speedily, as is required, and if its outcome is positive--to which end a half dozen amendments, but essential ones, would have to be effected--it would perfect the constitutional agreement. Then many of the criticisms which have been made would be eliminated and we would be on our way toward the resolution of the real problems of Portugal without "constitutional phantoms" through the holding of a constitutional referendum. I

proposed this in 1976, without success and to the accompaniment of attacks in the constitutional assembly, of which I was not a part. I propose it again now, at the proper time.

The advantage to the solidity of our democratic institutions which would have resulted from the holding of a constitutional referendum in 1976 is evident. This advantage, however, is vastly smaller than what would result now from turning to the people concerning the constitution. Time will prove me right again, God willing without the serious cost of irresponsibility, which all of us Portuguese citizens are paying due to the fault of a few.

3. We are approaching the final point--perhaps much delayed, despite the dance of dates put on by the most irresponsible elements, with promises which were not even minimally supportable--in negotiations with the EEC. I continue to believe that this is an inevitable goal which may be highly positive, if properly negotiated and accompanied by a policy of change in our productive structure (which has little or nothing to do with the legal changes which have been defended in order to protect large interests, but has everything to do with a consistent policy of national, sociocultural and economic development). I truly fear that we will deal with this question on our knees, as has been the custom, and that the possible constitutional amendment will be followed by the "possible agreement," that is to say at the lowest price and with the maximum sacrifice of national interests. This is a matter which should be responsibly entrusted to all of the national movements (or, if you will, all those who share this goal) and should not be made a partisan matter, like everything in this poor country in which greed has become the main characteristic of a certain political class (as the issue of deputies' compensation clearly illustrates). If it never goes beyond the parliamentary benches and the statements of ministers on their departure on or return from the various trips which make our cabinet and our prime minister the most extensive travelers we have had since 25 April (they had to be the best in something), and if we continue on our knees as we have thus far, the "possible entry" is in danger of being an undesirable entry, and may compromise our most profound national values. These are no longer the days of ensuring competence and attempting participation as--for which he merits praise--Mario Soares, and he alone, did. Since that time, partisan feuds have intervened and it is legitimate to have the most serious reservations about everything which has happened since 1980. Let us attempt at least to correct our joining now, making it a national rather than a factional act.

#### Serious Financial Situation

4. The seriousness of the financial situation will lead the government--however much it keeps silent or denies it until the local elections--to take drastic steps about the end of the year, perhaps having recourse again to the IMF.

It may attempt to enlist the opposition--which certainly will not be willing to pay the costs of a policy it neither supports nor negotiated (Mario Soares at the end of the First Government was an example of this) in these measures.

It may attempt to pursue them alone, and because it has a majority it could succeed, to the extent that it maintains parliamentary support, and it will continue afterward to administer the new stage of the disaster. And it might include these negotiations in an overall proposal for a minimal platform for development.

I return to the example of Suarez and what was proposed--at my suggestion and at my insistence--by the PSD [Social Democratic Party] only between 1976 and 1978. To respond to the crisis, a real minimal understanding of the functioning of the regime is needed, specifically where the relations among the sovereign bodies, the state-owned mass media, the state business sector and the public administration (which are the assets of the people of Portugal and not of the party clubs), are concerned. There must be a minimal consensual agreement on foreign policies and defense, such as to avoid conflict here and partisan division, a minimal understanding concerning the conditions for the exercise of labor and the distribution of income (social pact) and a minimal understanding on the major structural reforms and overall strategy for development and employment (to this, at that earlier time, the PSD added Sa Carneiro's proposal for a "national salvation government," which seems to me unrelated to the issue). In 1978 the PSD abandoned these proposals, as it had come to prefer the simple majority to the national project, polarization to a broad alliance of the moderates, and confrontation to social consensus. The results are there to be seen--and it is above all the PSD which is paying for it politically, as the leading government party (in terms of the effects, clearly, we are all paying).

The constitutional revision, if it is no longer a quarrel which will weaken democracy and Portugal, and the present financial difficulties, which are tending only to grow worse, as the government is truthfully saying, may bring up this need again, however much the cliques established in the parties and those imbued with the hatred which the extremists and radicals are implanting in Portuguese life may deny it, in their refusal to see beyond their factional interests.

The mobilization of the citizens of Portugal to accept sacrifice without immediate improvements as a counterpart, social peace as a consequence of social justice, the labor which only has meaning in an atmosphere of solidarity and national cohesion, and not the climate of egotism and incompetent political leadership--none of this can exist without a stable commitment from a majority social bloc, which is something very different from a simple parliamentary majority, which suffices for legislation, but never does for major national efforts. In this effort the people, the most active elements in the middle classes and the dynamic social agents of Portuguese society must participate. On the party level, it is true that the PS and the PSD constitute the basis of this project, but as no one is unaware of the influence which, through the AD, the CDS [Social Democratic Center Party] exerts over a large portion of the PSD, when one says PSD today one is saying CDS.

Moreover, those who thought that this accord and that of the owners' associations were sufficient to give the country direction and to define a stable

platform for national development based on national solidarity, of which I have spoken, deceived themselves. The active agreement of the two trade union federations, at least in the social sector and in the field of reform policy, is also indispensable. Equally essential is the agreement of General Eanes, who represents an opinion sector which is nonactivist but is increasingly strong in Portuguese society, although it has the weakness inherent in opinion factions focused on individuals who consistently reject personal power, as has been seen, unlike certain leaders who, on the contrary, undertake to exercise personal power and also speak of securing it. The Eanes faction has greater weight today than any party.

The elimination of the Council of the Revolution creates the conditions needed for a reorganization of the armed forces (it would be a bad thing if the cabinet were to acquire the authority even to appoint higher officers, as has already been suggested) and for a new relationship among the president of the republic, the leading political forces and the cabinet. It would be a good thing then, if what is termed in Portuguese political slang the "institutional solidarity" between the cabinet and the president were to function more efficiently. In other words, if the cabinet were to abandon its systematic criticism and very frequent disrespect of the president. The state is not Figueira Plaza. On the other hand, it is good that the institutional guerrilla warfare invented and launched by the AD to make use of the state bodies in overthrowing the president--which basically resulted in the weakening of the AD itself and the democratic state, but not the president--came to an end, to the benefit of the democratic regime itself. These are two excellent political beginnings for the process of putting an end to the spreading deterioration and relaunching dialogue and national and social reconciliation.

And here, once again--with only the modifications resulting from the reading of each new situation--rests the proposed agreement and solidarity without which there is no possible beginning with a view to developing Portugal, consolidating democracy and solidly establishing freedom and social justice. Either there will be a national solidarity agreement (or a complex of agreements) with such a content and with these specific supporters, capable of mobilizing the people and winning the support of the large national institutions, and we will have stable governments, which could be right wing, left wing or of the central bloc (the question is more circumstantial today than basic, in view of the gravity of the existing issues), and Portugal will pull out of its present predicament. Or we will continue as we have been, and this augurs nothing good.

This is not the first time that our leading class has not measured up to the needs, whereas the people have not fallen short. If the politicians continue to insist that the collective effort be pursued by pitting one half of the country against the other half, with reference to "two social projects," or other forms of dividing Portugal, the result will always be the present zero. The only question is this: Do they want a half Portugal or a whole Portugal, with pluralism but not civil war? Let them tell us quickly and clearly, because it is on this that sooner or later they will be judged.

5157

CSO: 3101/48

## POSITIONS OF PARTIES ON ELECTORAL REFORM LAW SUMMARIZED

Madrid EL SOCIALISTA in Spanish 16-22 Jun 82 pp 22-27

[Text] The Government party soon plans to support an Organic Law which would consolidate the electoral rules by which the elections of 1977 were governed, according to information possessed by EL SOCIALISTA. This measure will again cover all the interests of the Right, the same as has occurred in the last two electoral meetings. Meanwhile, the Left is relying on the reform of the Electoral Law, an end that will not be achievable until after the next elections.

The position of the centrists is to assure that the Electoral Law reform cannot take place before the next elections "because the special positions of some of the groups would alarmingly confuse the process," in the opinion of the secretary general of the UCD, Inigo Caverio.

For the centrists the present electoral system does not offer very much cohesiveness, but at the same time they evade the argument used by the majority of the political forces, in the sense that it is precisely the electoral law of 1977 which has benefited the Right in all elections held up to now.

The interests favoring modification of the Electoral Law are very extensive, especially in parties like the Popular Alliance and the Communist Party, which fear a greater trend toward bipolarization of the vote, and as a result a moving away from the proportional system which helps the forces that enjoy a broader base at the popular level. This interest also affects, perhaps to an even greater degree because their very survival is at stake, the minority forces, which like the FN (New Force) or Herri Batasuna owe their presence in the nation's Parliament to a marginally representative electoral support. For this reason the survival of some parliamentary political groups with scanty popular representation in the next legislature is dependent upon whether or not the Electoral Law is reformed, and on the consolidation of a system based on criteria of greater proportionality.

## Toward Greater Proportionality

"We favor modification of the law before the elections," confirms Enrique Curiel, secretary of the Communist Parliamentary Group, "of course, as long as the criteria for the proportions are increased and the law does not move toward the consolidation of a bipartisanship which would only increase the spiral of confrontation between Right and Left, which has created such sad historic memories in our country."

The Communists believe that in practice reform of the Electoral Law is already being brought about "through electoral systems which are being supported in the different autonomous communities. They are systems which lack homogeneity and do not respond to social causes," explains Enrique Curiel.

According to the Popular Alliance, the Electoral Law would have to be modified prior to the next general elections, "since a legal limit must be established of say a 5 percent minimum representation to be able to have a seat in the national Parliament." "In the case of the regional parties," emphasizes Gabriel Camunas, "it would be enough if they had 20 percent representation in the autonomous communities, whereby groups such as Herri Batasuna or the New Force, which are not bringing anything to the country, would be left outside the parliamentary arc." For modification of the Electoral Law Fraga's party favors a rule that would legalize the open lists, which would make it possible to have the election of different candidates within the same party.

## PSOE: Clear Position

Within this confused mass of interests, the position of the PSOE is clear. "We favor reform of the Electoral Law before the general elections, but the weakened position from which the government is operating today must be kept in mind. For this reason," states the under secretary general of the PSOE, Alfonso Guerra, "UCD has no other reasonable choice but to shy away from what the rest of the groups want and to shore up the 1977 law with an Organic Law, about which our party will express its position at the appropriate time."

The nationalist forces also view Electoral Law reform sympathetically "for an improvement of the system itself," states Catalanian Miguel Roca. Adds the representative of the Catalanian Minority, "the contact between the elector and the member of Parliament must be made more direct, and it is impossible to implement this with the present law. We have some very large districts that are not viable for satisfactorily achieving this contact, so much so that it would be accurate to say that the current system alienates the citizens from those people they elect." Adds Miguel Roca, "We, therefore, ask for smaller districts, with a list for each one of them and a second list per community. This way there would be uninominal lists for less extensive districts and a distribution of the remainder at the level of the autonomous communities. With this formula votes would not be lost and the proportional system would be maintained."

## Unhurried Reform

Despite the fact that the vast majority of political forces advocate electoral reform, all are in agreement that the reform should be brought about with patience, scrupulous care and without rushing.

They also include in their respective analyses the difficult situation the government party is in, the same party that with Suarez at its head created the law best suited to their interests in 1977, the same one that is now preparing to consider, with pronounced discretion, holding another popular referendum within a legal framework which, according to the experts adhering strictly to the constitution, was only conceived for the first elections of the democracy.

## Division by Districts

The most important article in any electoral system is the one which refers to the division of territory. Participating in the structuring of the 1977 law, which was used to hold the June elections that same year and later for the ones held in 1979, was a designated nine-member negotiating commission, a formula used by Adolfo Suarez, then president of the government, to bring together and in some way make the rest of the political bodies responsible for the decision which made the first electoral ruling possible.

With this ruling an overall number of seats was given to the house, which was to be 350. This number would then be divided among 52 districts, which corresponded to the 50 provinces plus Ceuta and Melilla. At the outset an initial minimum of 2 seats per province or district were designated, and 1 more for each 146,000 residents.

The Senate appears structured like a territorial house of representatives, whereby an equal number of senators was set for each province, except for the islands, which it was agreed would have five instead of four. On the other hand, the congress was structured like a house of representatives based on population, with a different election model. While for election to the senate a single turn majority system was established, in the congress a proportional system was selected, based on the famous D'Hondt rule.

With the approved system congressional elections take place in small and average sized districts--with only four exceptions--using closed lists.

Two corrective measures were added to the D'Hondt rule: the requirement of a minimum number of votes in each district, 3 percent, in order to have the right to a delegate, and secondly, the setting of a minimum number of delegates, two, the same for all the provinces.

The practical effects resulting from the application of the D'Hondt rule are translated into an almost exact proportionality, as long as the electoral districts are very broad and the vote appears fragmented. In reality, the distribution of seats makes it possible for the small sized districts to be represented by three delegates, while the large areas, for example Madrid and Barcelona, are represented by 32 and 33 seats respectively.

This way of dividing the electoral districts predisposes some of them to introducing disproportionate factors.

If the population of Spain is divided among the 350 seats we would have about 1 delegate for each 110,000 citizens. The province of Soria, which has under 100,000 residents, has 3 delegates, which ends up meaning that each one represents no more than 33,000 residents. However, Madrid, which is nearing 5 million residents, has 32 delegates, which means that each one represents nearly 170,000 residents. If the distribution of the 350 seats was exactly proportional in each province, Palencia, for example, would have to get along with 2 delegates, just like Teruel, while Madrid should exceed 40 seats.

#### D'Hondt is not To Blame

Even though it is established in the constitution that the electoral system must be proportional, the very distribution of the districts introduces a large disproportion. According to the experts, the negative factor cannot be attributed to the D'Hondt rule since it does not work against proportionality. In any case, this factor arises from the division of the districts.

On a different plane, the corrective measures of the minimum of two delegates per province, plus one for each 146,000 residents or each fraction over 70,000, in practice makes the congress a house of territorial representation and not by population, when in principle this framework was designed for the senate. The experts figure that this destroys the principle of equality of the vote. It must be added that the majority of the districts are small or average sized. In 30 of them where they elect 120 delegates, the number fluctuates between 3 and 5, which converts the proportional formula into one based on majority. In the rest of the districts, 26 in all, a total of 138 delegates are selected, the number of seats per district fluctuating between 6 and 10.

Only Madrid, Barcelona, Valencia and Seville exceed this figure. In practice, therefore, it is observed that the D'Hondt rule spreads all of its proportion over relatively small electoral zones, given that in order for this factor to begin to work, there must be as a minimum 10 seats per district.

In the small districts where the strongest parties are favored, especially the first, to the detriment of the political forces with a smaller popular base, the inequality in the size of the districts spills over and increases the factor of disproportion. Provinces like Madrid, Barcelona, Alicante, Vizcaya, Asturias, Seville and Valencia would be excluded from this last scenario.

#### Interests for the Right

The current electoral system has been conceived by and for the benefit of the interests of the Right. The disproportion also stems from the geographic distribution and has an indirect projection on the farm districts. The

underdeveloped zones, also generally the most unpopulated, are the ones which logically demonstrate on the whole more fear of political change, and as a result, of the leadership of social powers which until just a few years ago were still illegal. It is, therefore, substantiated that the UCD gets its overrepresentation in Parliament from the rural zones, where the conservative vote dominates.

It is the present electoral system which has made it possible for the UCD to be stronger in the farm districts, according to the data obtained from the 1977 and 1979 elections. In both the centrist party obtained approximately 35 percent of the votes, for which it got 48 percent of the seats.

The bonus achieved by the Right, therefore, approached a 13 percent disproportion. By the law enacted in 1977 three delegates were awarded, for example, to Soria, Palencia, Teruel, Segovia, etc., and four to provinces like Alava, Abacete, Burgos and Salamanca. It was precisely in the small districts where the UCD surpassed the Left in votes, and this is what determined this electoral advantage which is as strong in practice as it is not in reality. Also, the urban provinces were and will continue to be the least represented, keeping in mind that these are the districts where there is a majority vote tilted toward the Left.

#### Autonomies: Greater Proportionality

With the ability to legislate granted to the already constituted autonomous communities, the electoral panorama has changed in Spain. Galicia, Catalonia, Andalucia, as well as the Basque Country, communities which have traveled the path of the 151, have chosen formulas which favor proportionality, in part due to the breadth of the electoral districts. In the case of Catalonia, for example, there are districts of 17 and 18 delegates in Lerida, Tarragona and Gerona, and 89 for Barcelona. In the Basque Country there are large districts, 3 in all, with 20 seats each. Meanwhile, in Andalucia the smaller districts are the ones with 11 delegates, and therefore, proportionality works to a great extent, as with the previously cited cases.

The electoral systems that are being approved in the different communities are not homogeneous, and the alliance and communist criticisms are levelled against them, but they can be considered to be systems of virtually pure proportional representation.

In the area of the single province communities, by and large proportionality is also going to work, since districts are going to be formed which integrate from 30 to 60 delegates. We will have examples of this in Murcia, Asturias or Madrid. It is, nevertheless, in the case of Castille-Leon where the districts are going to be smaller and where the quotas of proportionality are going to be more like those of the nation's Parliament.

9730

CSO: 3110/168

## NSC RATIFIES WIDE RANGE OF NEW LAWS

Istanbul CUMHURIYET in Turkish 19 Jun 82 pp 1, 9

[Text] The National Security Council has ratified 6 laws. The council removed professional organizations having public status from the group of organizations that will be affected by the stipulations of the Authorization Law. Meanwhile, Agricultural Credit Cooperatives were added to the group by the council.

The text of the proposal which emerged from the Consultative Assembly specifically excluded the Joint Chiefs of Staff, the Ministry of National Defense, Tax Collection Agencies, the Exchequer and Audit Department, Universities, the Office of the Chief of State and agencies within the legislative branch from the stipulations of the law. The council has now brought these organizations within the scope of the law. The Council of Ministers will have the authority to declare the executive orders to be in effect as of 26 February 1982.

The "law proposal pertaining to the establishment, responsibilities, powers and reorganization of public agencies and foundations" which has been ratified by the National Security Council provides the Council of Ministers with authority for the issuance of executive orders having the power of law. This authority is to be delineated by a framework of guidelines and is being provided for the purpose of bringing about the more organized, rapid, effective, productive and economical administration of public services. The Council of Ministers will be provided with such authority in matters pertaining to the establishment, responsibilities and powers of public agencies and foundations, Agricultural Sales Cooperatives and Agricultural Credit Cooperatives.

The law covers general principles concerning the distribution of public services among ministries, the ministerial affiliations of major service organizations, the establishment of new ministries, the merging and closing down of existing ministries, and the hierarchical relationship among administrative units. The law will also provide for personnel reorganization within agencies and foundations.

In exercising this authority, the Council of Ministers will take into account certain principles. These may be listed as follows: "The public services that have to be administered in conformity with the principles of general administration will be run by the Prime Ministry, ministries and affiliated foundations.

"Division of responsibility and coordination will be provided at the level of public services and waste in the utilization of resources will be prevented. Ministries, advisory agencies and general directorates will be established according to existing authority. Standardization in titles, grades and hierarchical relationships will be brought about in a manner that takes into account the necessary discrepancies that are created by the central, provincial and extraterritorial services of agencies and foundations. Governors will be provided with new authority to organize public foundations at the provincial level. Officials whose personnel rankings and grades are changed as the result of reorganization will be entitled to all monthly or special supplements as well as special compensations of their previous positions as long as they remain at their new positions. This stipulation will also apply to personnel provided for by the Law on the Founding Assembly. In the establishment and structuring of State Economic Enterprises, these principles will be used in addition to criteria such as usefulness to the nation's economy, productivity and profitability. Criteria such as the need for services, usefulness to the nation's economy and productivity will also be used in the establishment of Agricultural Sales and Agricultural Credit Commissions, the establishment of the unions and organs of such commissions and the reorganization of their responsibilities, powers and operational practices. The Council of Ministers will be empowered to issue an executive order with the power of law on the basis of this law and to stipulate that the said executive order will become effective as of 26 February 1982." This authority will be provided to the Council of Ministers for a period of 18 months.

The law on free boarding school and scholarship education at the elementary and intermediate school level and the social assistance which is to be provided to students in this category has been ratified by the National Security Council. The law pertains to students who have earned the right to free boarding or scholarships at elementary or intermediate level schools affiliated with the Ministry of National Education.

The law provides the criteria of financial need and academic achievement as the basis for determining eligibility for free boarding and scholarships. Quotas will be determined by the Ministry of National Education on the basis of the number of students from each province and the level of development attained by each province.

Scholarship amounts will be determined by the Council of Ministers and no additional scholarships will be provided to students who benefit from free boarding. These students will be provided with social assistance for school supplies and requirements, food, clothing, pocket money and other needs. The Ministry will meet medical expenses at the diagnostic and treatment levels for students who benefit from free boarding and scholarships. The law also contains stipulations pertaining to the termination of free boarding or scholarship assistance and to students who remain at school during the holiday months.

According to the law, no compulsory service, compensation or repayment will be requested from students who benefit from free boarding or scholarships upon graduation or in the event that they should leave school for any reason. The law will go into effect at the date of its publication.

The law providing for changes in the law pertaining to ownership titles stipulates that title judges and other officials of title courts are entitled to travel compensation for every trip taken in connection with the exploratory and executive aspects of their responsibilities. According to the stipulations of this law, trips taken in connection with trials will be reimbursable on a daily basis regardless of the total number of cases being considered. If new exploratory trips are necessitated by an objection filed by a party involved in a land dispute, travel costs will have to be deposited by the objecting party.

According to a law that has been ratified by the National Security Council and that brings changes to Martial Law 1402, accomplices of persons committing smuggling offenses that undermine the security of the state and accomplices of persons committing crimes that fall within the jurisdiction of Martial Law Military Tribunals will be tried in Martial Law Military Tribunals even if their roles as accomplices consisted of mere assistance and did not physically contribute to the commission of any crimes.

The law also provides Martial Law Military Tribunals with jurisdiction in public lawsuits initiated in connection with such offenses before the date on which the law will go into effect. Lawsuits that are currently at the investigatory stage will also fall within the jurisdiction of these tribunals. The law will go into effect on 1 July 1982.

A law bringing changes to Law 2313 concerning the destruction of confiscated narcotic substances stipulates that a court can order at any stage of the investigation the confiscation of narcotic substances for the purpose of destruction if a definitive report concerning the substances has been received, the further preservation of the substances is no longer required and samples have been obtained.

9491

CSO: 4654/364

## BASTURK CONTINUES DEFENSE IN DISK TRIAL

Istanbul CUMHURİYET in Turkish 13 Jun 82 pp 9, 12

[Text] ISTANBUL NEWS SERVICE--Now in the 16th day of questioning, DISK [Confederation of Revolutionary Worker Unions] President Abdullah Basturk said, "Pluralist, participatory democracy cannot be kept within the confines of the Assembly." He said that other democratic bodies besides parliament have the right to speak and express their thoughts in the economic and democratic arena. "This is what DISK has done. Freedom of speech and thought and the right to assemble and demonstrate are a whole. The prosecution's distorted concept of democracy, with its charges and accusations, thus takes not us alone, but democracy as its target," he said.

Judge Cetin Guvener read a passage from Basturk's speech of 16 June 1978 and asked him to clarify this view: "The threat of fascism has not disappeared despite the arrival of the National Front Government. World revolutionary practice has proved that fascism is not prevented by professing opposition to either left or right. It is the obligation of the democratic forces of all organizations to create and give life to a primary program of joint action as soon as possible. The unity that will be born in such a program and commonality will be a significant turning point in our antifascist action. We as DISK are ready to do our duty. We know that the rich international experience of the revolutionary movement will guide us and the knowledge of the working class show us the way." Basturk said that was a speech stressing the need to take advantage of the progress of 150-200 years' experience in the antifascist struggle of Western union movements in Western democracies. He explained that a common struggle with other democratic organizations against the fascist threat in Turkey was envisaged and said, "To oppose the bloody dictatorship of fascism and join the organized struggle against it is a requirement of the belief in democracy of both individuals and organizations." The judge said that the answer was not sufficiently clear and asked what was meant by the international experience of the revolutionary government. Basturk replied, "The unionism movement is a revolutionary and progressive movement in democracies. Certainly the rich international experience will be a guide to us. Otherwise, it is impossible to understand the Marxism-Leninism, the revolutionary concept that the prosecution means by revolutionary. DISK's concept of revolutionism, as I explained before, is the full and complete implementation of the constitution."

Judge Guvener reminded him that the State Security Courts were constitutionally mandated bodies and asked what was meant by the full and complete implementation

of the constitution. Basturk replied in summary: "I have explained why we opposed the State Security Courts. Our constitution introduced the principle of an independent judiciary. The State Security Courts, however, were an attempt to disregard this principle. I was a member of parliament at that time. For this reason, I fought against passage of this law. Several hearings were held on the State Security Courts. I was not working in the DISK organs at that time, so had no opportunity to be in possession of information on the debates taking place in the organs.

The judge reminded Basturk that he had opposed specialized courts in a New Year's speech. Basturk went on to say, "When measures are taken by political administrations in pluralist, participatory democracies to restrict the economic and democratic freedoms envisaged, unions and professional organizations, by the rights ultimately guaranteed them by the constitution and the law, have the right to express their thoughts on the subject-matter to which they object in their organs, in meetings in closed halls and in outdoor rallies, to shape public opinion along these lines and to make their voices heard as pressure groups against the political administrations. Pluralist, participatory democracy cannot be kept within the confines of the Assembly. Other democratic bodies also have the right and power to speak and express their thoughts in the economic and democratic arena. This is what was done. Democracy is a whole including freedom of speech and thought and the right to assemble and demonstrate. The prosecution's distorted concept of democracy, with its charges and accusations, thus takes not us alone, but democracy as its target."

The judge asked for an explanation of the strategy in the celebration with such gusto of the anniversary of the 15-16 June incidents, which had precipitated the proclamation of martial law, and in its being embraced as the first rebellion of the working class. Basturk replied in this way: "I remember what is called the 15-16 June incidents as an action, at a time when laws were being amended by the political powers to take back the democratic and union rights won by the workers, taken by DISK and TURK-IS [Turkish Confederation of Labor] workers to protest this. Thus legal meetings are held on the anniversary of this incident, not as the workers' rebellion, but to mark the importance of that day, of their sensitivity on vested union rights and their determination to stand up for them. The Constitutional Court struck down the amendments aimed at the restriction of the workers' vested rights and union freedoms. We take this ruling by the Constitutional Court and the value we place on the Constitutional Court as something to be celebrated with gusto at these meetings."

The judge asked, since it was clearly stressed at this time that "the working class was the vanguard to alter society," for an explanation of the contradiction with the statement that the struggle of 15-16 June 1970, the political struggle of the working class, was to be undertaken by the political parties. Basturk said that the determination of the workers to protect their vested rights against attacks on union rights was considered an advance-guard action. The judge asked, "How will it alter society"? Basturk said: "It has been stressed that the economic, social and cultural development of society in line with the concept of revolutionism of DISK and its member workers will be possible only through full and complete implementation of the constitution, and

"DISK and the workers will form the vanguard in this implementation." The judge said, "You spoke of opposition to attacks of the bourgeoisie. Is parliament the bourgeoisie"? Basturk recalled that he had explained earlier what the attacks of the bourgeoisie were. The judge pressed the point of why 15-16 June had occurred. Basturk said he had explained that and said, "I explained that it took place at a time when workers' vested rights were being denied." The judge said, "The place where the laws are made is the Assembly. They are discussed in parliament," and asked, "What does bourgeoisie mean? Does it mean the Assembly"? Basturk replied in summary: "I believe the 15-16 June incidents took place because of amendments to the law instigated by employer circles, who wanted this law changed and made suggestions such as restricting union rights and restricting the right to strike, and carried out by the political powers who were dependent on them." When the judge again asked what the working class had proved by this revolt, Basturk replied: "Their sensitivity on vested union rights. It was not an action against this state or to overthrow the state. If it had been, Western Europe, of which we are a part, would not be governed by democracy, not one nation would survive, they would all be destroyed."

The judge stressed the dimensions of the 15-16 June incidents, recalling that they had precipitated the proclamation of martial law, and asked for an evaluation of them under article 124 of the constitution which governs the proclamation of martial law. Basturk pointed out that it would be impossible for him to state his views on the aforementioned incidents because he was being tried in this regard. "The concept of unionism for myself and my colleagues is that the struggle in which the working class is engaged in relation to the vested democratic rights is an organized, conscious struggle. There is no place in this struggle for anarchy and terrorism. And certainly there is no place at all for armed assault. The incidents which occurred, in my opinion, were directed against the erroneous assumptions on union rights by the political power of the time."

8349

CSO: 4654/357

## MUMCU CITES DIFFICULTIES IN AUTHORIZATION DRAFT LAW

Istanbul CUMHURİYET in Turkish 17 Jun 82 pp 1, 11

[Text] The "authorization draft law" pertaining to the reorganization of the duties and powers of public organizations and foundations had met with some opposition from certain members of the Consultative Assembly. However the government and in particular Turgut Ozal, who is Minister of State and Deputy Prime Minister remained adamant about the proposal. The authorization draft law cleared the Consultative Assembly with some new amendments. The proposal has now been presented to the National Security Council.

According to the proposal, the government will have the authority to distribute public services among ministries, to distribute the means for the providing of such services, to regulate relations within the hierarchy, to establish new ministries and to implement the establishment of ministerial networks at the provincial level within Turkey as well as in foreign countries. A broad authorization law is being used to transfer all of these powers from the legislative organ of government to the executive organ.

The first article of the draft proposal stipulates that public organizations and foundations as well as public professional organizations will be reorganized through executive orders having the power of law. State Economic Enterprises for instance, will be reorganized in this manner. The government is also being given the power to redefine the status of public professional organizations, Agricultural Sales Cooperatives and unions, as well as executive and oversight agencies "at every level."

This proposal constitutes an unprecedented reorganization conferring powers to the government that are unprecedented in the history of the Republic. For years, no result has been obtained from meetings that have been held and projects that have been designed for the purpose of reorganizing the bureaucracy because the matter in question to some extent implies the reorganization of the state. In the case of matters such as these, rapid judgment and quick solutions can yield very adverse results.

For example, the powers contained within the proposal are being provided for a period of 18 months. The reorganization of State Economic Enterprises and the redefinition of the relationship between ministries within this 18 month period would not be an easy task. If the objective is the reorganization of State

Economic Enterprises, the adoption of a separate law for this purpose would have been much more useful. This is so because every State Economic Enterprise has certain distinct characteristics and a solution can be found within these characteristics. A resolution of the problem represented by State Economic Enterprises through the use of a broad ranging authorization law proposal remains non-feasible from a standpoint of time as well as subject matter.

"Professional organizations of public status" such as chambers of trade and industry, architecture, engineering and medicine as well as bar associations are being included within the scope of this authorization law proposal. According to the proposal, "the reorganization, selection procedures and convention guidelines pertaining to executive and oversight agencies at every level within professional organizations of public status as well as Agriculture Sales Cooperatives and Unions" will be determined through executive orders having the power of law.

Certain ministers and in particular deputy prime ministers will become primarily involved with the implementation of executive orders having the power of law. We believe that Turgut Ozal will directly take over the responsibilities and powers that would belong to the Finance Ministry, the Commerce Ministry, and the Ministry of Industry and Technology, the State Planning Organization and the Central Bank in connection with these executive orders.

It is inevitable that such "one man rule" will lead to some "very bitter surprises" which are already making their symptoms visible within the economy. We hope that the use of these powers in conjunction with a "monetary policy" that does not include the elimination of unemployment among its objectives will not lead to great problems in the future.

In some ways we favor the immediate granting of these powers to Turgut Ozal. This "architect of the measures of 24 January 1980" has not been sufficiently evaluated in the context of all the bankruptcy that has taken place. Giving him these powers now will prevent him from hiding behind excuses such as "they did not give me the opportunity to implement my program" in the future. Please go ahead.

9491

CSO: 4654/364

## GENERAL BUIS ON NUCLEAR ARMS USE BY THIRD WORLD COUNTRIES

Hamburg DER SPIEGEL in German 7 Jun 82 pp 123-124

[Interview with General Georges Buis: "The Falklands Are No Verdun"]

[Text] The tank warfare expert Georges Buis, 70, commanded the 1st French Armored Division in Trier during the 1960's and was later director of the "Institute for National Defense Studies and Military Science" in Paris.

[Question] General, the British have been waging a war in the South Atlantic for a barren, inhospitable island with a total population of 1,800. The costs of this operation will run into the billions. Hundreds of soldiers have already been killed. Can you imagine that another European country, say France, which still has remnants of colonies, would behave in the same way as did the British?

[Buis] Until this war I could have imagined such a thing or have been afraid of its happening, but now it seems to me to be unlikely that France or any of the major powers would let themselves in for such an adventure.

[Question] Yet every military man today must still face the question: Is it really worthwhile to go to war over the Falkland Islands?

[Buis] The world has become as small as an orange that you can hold in your hand. It doesn't have any white spaces anymore. The satellites can observe everything, the weapons can reach any target. Perhaps we need spots like the Falklands for strategic purposes. Who would have thought that Diego Garcia in the Indian Ocean would ever have any strategic importance? As if through a miracle this island is a British possession and the British were able to say to the Americans: You can have it. Only now have we found out that Ascension Island in the middle of the Atlantic has also been partially leased out to the Americans.

[Question] Yet the war in the Falklands also shows the absurdity of armaments exports: Apparently these exporters never figured that the countries of the Third World would one day be able to turn these weapons not just against their own kind but also against the Western countries which supplied them.

[Buis] That's right. It simply wasn't recognized that this was a very stupid thing, that we were no longer living in the 19th century, that is, in a relatively stable world. Now we discover to our astonishment that there is a Third World which is absolutely capable of deploying the weapons which we've supplied to them.

There used to be a time when highly sophisticated weapons could not be operated without highly developed technical skills. During World War I you almost needed to be a graduate of a military academy to be able to operate a 75 mm artillery piece; today a private first class can hit any target with a 155 mm cannon because the computer will do the work for him.

[Question] Until the fighting in the Falklands, arms exporters had always assumed that their deliveries of weapons would also bring them political influence over their customers--arms exports were regarded as an extension of foreign policy. The Argentines, it seems, have not let themselves be influenced by any arms supplier. This would have to hold true for the export of nuclear reactors to the so-called developing countries as well. Several of these countries are already trying--with the willing support of Western experts--to develop their own weapons.

[Buis] I know of only one instance in which there was a maximal cooperation with the specific goal of building a nuclear weapon, and that was between France and Israel from 1955 to 1963. Apart from this, it is difficult to see why the technological development of nuclear energy should not be permitted to the Third World which urgently needs this technology to cover its own consumption of energy. In the case of the Iraqi nuclear research reactor near Baghdad which the French built, all precautions were taken to assure that its use for military purposes over the next 10 years would not be possible.

[Question] Yet the Israelis apparently did not believe these guarantees and so they destroyed the nuclear center. Who is to tell us that the Argentines, if only they had the weapons, would not have threatened to use them in the face of the British military advance?

[Buis] There's no question of it. This is exactly why the United States and the Russians today are much more partners than antagonists. The last thing that either of them wants is what you would call vertical escalation. And by the same token, neither of them wants a horizontal escalation, that is, one that could draw them little by little into a direct conflict situation not of their choosing.

As you know, it is inconceivable that a country which possesses the capacity to deliver a mortal blow to its enemy but which has suffered serious military reverses, is going to offer its hand to its enemy like a well-born gentleman in a 19th century duel and say: "Monsieur, I have been hit. You have won. I congratulate you." On the contrary: Threatened generals will let all hell break loose, especially small countries which may only possess two or three weapons as deterrents.

[Question] Are you saying that the Argentines would have reacted that way if they had had nuclear weapons?

[Buis] That could have been something to worry about. Yet it depends on the circumstances. You only play with nuclear fire when your really vital interests are at stake. None of the nuclear powers has yet made a clear definition, in geographic or economic terms, of where this threshold lies. Why haven't they defined it? Very simple: You want to leave your enemy in this terrible state of uncertainty as to when the critical moment in time has been reached. In my view, the Falkland Islands did not represent a Verdun for the Argentines. But perhaps they see it differently. In any case, I can't imagine that they would risk their Buenos Aires for the sake of Port Stanley.

[Question] In relation to the size of its population, France is the biggest arms supplier in the world and will sell to anyone who wants to buy. How is the scant resistance in France to this arms export policy to be explained?

[Buis] The classical answer in France to this is that the only way to equip its own army cost effectively is to have a large production capacity. The development of prototypes is unbelievably expensive; we export so as to be able to equip our own army.

[Question] And if arms exports declined you would lose several thousand of the 300,000 jobs that are directly associated with the armaments industry?

[Buis] At the moment the armaments industry doesn't have this concern. Look at the successes of the "Mirage" and the "Exocet," the manufacturers really don't have any problems at the moment.

[Question] Your minister of foreign trade, Michel Jobert, has even said with pride: "Since the crisis in South America, a great deal of interest in French weapons is evident in this part of the world."

[Buis] Yes, of course. The Saudis nearly jumped for joy because they had bought so many "Exocets" in time. It's hard for me to understand why the Germans won't sell tanks to so moderate a country as Saudi Arabia, which would rather buy peace with its cannons than have to impose it.

[Question] No one can guarantee that these same tanks won't one day be used against Israel. And on that point the Germans feel they bear a responsibility that has to be explained from their history.

[Buis] When I think about it seriously I can only really congratulate the Saudis for not having bought these tanks, and I say that as a former general in the armored corps: In a modern war tanks are absolutely superfluous.

[Question] Do you mean that the deployment of high-precision rocket systems has made tanks into metal coffins, like some of the British ships off the Falklands?

[Buis] We had already seen in the Israeli-Arab war of 1973 what effects rockets can have. The Israelis knocked out 43 tanks with 48 "Maverick" anti-tank rockets. Earlier, in order to knock out a tank, you would have had to fire hundreds of artillery rounds.

For generals who love nothing more than watching a parade of tanks passing in review, it is certainly not easy to concede that tanks have lost their commanding position and that the experience of the Marne has been replaced by two nuclear submarines carrying out their deterrence function thousands of kilometers away. Of course we can't abandon tanks overnight. An army must deal with the problem that it has got to have weapons not just for tomorrow's war, but also for the one which might break out 15 years from now.

Rockets have become decisive for the fate of those regions and they can find them on the shelves of dozens of arms suppliers throughout the world who would be only too happy to supply them. Just one example: The Israeli ship-to-ship rocket "Gabriel" now has a range of about 500 kilometers. With rockets like these they can hit any important target in the Mediterranean, everything is so closely packed together. Ships have become practically superfluous.

[Question] You can certainly save a lot of money that way.

[Buis] Yes, you can launch them from protected ramps, from fortress-like structures. And suddenly we're back in the world of huge fortresses that protected our coastlines for hundreds of years--symbols of technological progress but not of the future of mankind.

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