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# Southeast Asia Report

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28 MAY 1986

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AUSTRALIA

SYDNEY DAILY BLASTS WELLINGTON'S NUCLEAR SHIP POLICY

BK131320 Sydney THE AUSTRALIAN in English 29 Apr 86 p 12

[Editorial: "Lange's Hypocritical 'Chinese Solution'"]

[Text] The visit to Australia of New Zealand's Minister for Defence, Mr Frank O'Flynn, should allow the federal government to put frankly to our guest the concern which this country shares with the United States over the damage which some of the Lange government's policies have done to our mutual defences.

The American bombing of Libya has been the occasion for the most recent in a stream of statements highly critical of the U.S. emanating from Wellington. It is not yet two years since the NZ Labour Government has been in office but in that time it has radically altered and significantly weakened the previously strong association, both political and military, between New Zealand and its fellow Western democracies.

The decision taken unilaterally by the Lange government that nuclear-armed and nuclear-powered ships may not enter NZ ports has excluded the navies of New Zealand's most powerful allies, the U.S. and Britain, from the use of its harbours which they have traditionally been able to expect in peace as well as war. Both of these nations sensibly refuse to disclose whether their naval ships are carrying nuclear weapons.

The result of this refusal [by] the NZ Government to take its share of responsibility for the overall defence of the West has been the demolition of the ANZUS alliance.

It is true that the treaty which provides the foundation for that alliance makes no specific provision for the use of nuclear energy or nuclear weapons or for the sharing of berthing facilities. But without defence co-operation between Australia, New Zealand and the U.S., the ANZUS treaty becomes a document of minuscule consequence.

Mr Lange's most recent effort to have the advantages of American and British defence support while continuing to enjoy the luxury of moralising about his government's non-nuclear purity will not meet with success. His canvassing

of what he quaintly describes as the "Chinese solution", which would require hypocritical declarations of "respect" for the NZ Government's nuclear policy from the U.S. Congress and the British Parliament in return for permission being given to the American and British navies to use NZ ports, is doomed to be treated with ridicule.

And simultaneously it seems that the NZ Labour Party organisation, not satisfied with seeing the spirit of ANZUS destroyed, is zealously intent on forcing the NZ Government to dissociate itself from the letter of the treaty. The party has made a submission to the NZ Defence Review Committee calling for "post-ANZUS" arrangements. This anticipation of the treaty's total demise is not as yet binding on the NZ Labour Government, but at the very least it will inhibit the Cabinet from making a serious attempt to resuscitate ANZUS.

The Australian Government has only limited influence across the Tasman. But it should take advantage of Mr O'Flynn's presence to reaffirm its loyalty to the Western alliance and to try to explain to the NZ Defence Minister the harm which his Government's policies have done to the long-term security of our region.

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CSO: 4200/1018

AUSTRALIA

BRIEFS

SUMMIT PROGRESS LAUDED--Australia has welcomed the progress made at the 7-nation summit meeting in Tokyo on resolving problems in world agricultural trade. Radio Australia's Canberra office says the prime minister, Mr Hawke, has campaigned hard to increase awareness overseas of the effect that American and European Community farm policies are having on Australian farm exports. The failure of the summit leaders to include agriculture in the agenda of the forthcoming round of trade talks under the General Agreement on Tariffs and Trade, known as GATT, has been interpreted as a setback for Australia. However, our Canberra office says the government was particularly pleased by the recognition of the problems caused by global agriculture surpluses as well as an agreement to take action to adjust farm output when such surpluses occur. [Text] [Melbourne Overseas Service in English 0830 GMT 8 May 86 BK] /6662

CONSUL GENERAL TO NEW CALEDONIA--The minister for foreign affairs, Mr Hayden, has announced the appointment of Mr John Dauth as Australia's consul general in New Caledonia. He will succeed Mr S. Hume, who has been consul general in Noumea since 1983. Mr Dauth's area of responsibility also includes the French Pacific territories of French Polynesia and the Wallis and Futuna islands. Mr Dauth has served in Lagos, Islamabad, London, and Tehran, and since October last year, has held a senior executive position in the Department of Prime Minister and Cabinet. [Text] [Melbourne Overseas Service in English 0830 GMT 11 May 86 BK] /6662

MILITARY EQUIPMENT TO NEW ZEALAND--Australia is to sell military equipment worth more than \$12 million [Australian dollars] to New Zealand. The deal involving 24 light artillery guns was announced by New Zealand's defense minister, Mr O'Flynn. The 105-millimeter cannon is a British-designed gun built in Australia. The minister said the first of the guns would be delivered by the end of this year with the remainder being supplied by September 1989. [Summary] [Melbourne Overseas Service in English 0830 GMT 10 May 86 BK] /6662

CSO: 4200/1018

INDONESIA

JAKARTA THREATENS TO REJECT AUSTRALIAN MILITARY AID

Melbourne THE AGE in English 22 Apr 86 pp 1, 8

[Article by Anthony Nagy]

[Text]

JAKARTA, 21 April. — Indonesia has threatened to reject most of Australia's military aid in retaliation for Australian newspaper articles on President Suharto.

Senior Indonesian sources confirmed that the armed forces commander, General Benny Murdani, was threatening to reduce Australia's annual \$A10 million Defence Cooperation Program (DCP) to mapping and survey, and maintenance of Hercules aircraft.

This would slash three-quarters of the DCP projects.

They include the training of more than 100 Indonesian officers in Australia, and technical and other maintenance programs. It would also remove valuable Australian access to Indonesian military thinking and personnel.

In another development, MARK BAKER reports from Wewak on Papua New Guinea's northern coast that a row has broken out among an Australian federal parliamentary delegation touring the Papua New Guinea-Irian Jayan border.

Mr Lewis Kent, the MHR for Hotham in Victoria, has upset several members of the delegation with his description of Indonesia as a bully attempting to wipe out Melanesian culture.

In JAKARTA, a senior Indonesian source said that the threat to reject aid indicated that the "hawks were winning over the doves" in the intense debate over whether to maximise or minimise damage to Indonesian-Australian relations.

Diplomats said that the threat would set back relations just as they had reached their warmest point in almost a decade.

General Murdani has scathingly dismissed the DCP assistance as "chicken feed" and warned that promises he made to the Defence Minister, Mr Beazley during his visit to Indonesia could be "forgotten."

This has dismayed Australian diplomats, who had not been officially informed of likely cuts to the DCP.

They did not disclose what "promises" were made. Mr Beazley was warmly received by President Suharto and General Murdani earlier this month, when he toured Indonesia and explained Australia's defence review.

General Murdani's threat against the DCP was reported briefly in only one newspaper, the English-language Jakarta Post, today while other papers quoted General Murdani as promising "repercussions" and "other steps."

The sources confirmed the Post story and said other papers had been asked not to elaborate.

The "doves", mostly civilians such as the Foreign Minister, Dr Mochtar Kusumaatmadja, have been urging a less emotional reaction to the newspaper articles, to preserve more than a year of patient efforts to cement the relationship.

The articles, in the Sydney Morning Herald, alleged that the Suharto family and friends en-

riched themselves through business favours.

"Those stories in the Sydney Morning Herald are a smear campaign against our head of state and his family that we cannot accept," General Murdani told Indonesian journalists at the weekend.

He is considered the most powerful man in Indonesia after the President, as the army is a central pillar of government.

His comments, his first since the articles appeared 11 days ago, triggered urgent inquiries by Australian diplomats. They had feared the backlash would go beyond last week's diplomatic protest and ban on Australian journalists entering Indonesia.

In CANBERRA, a spokesman for the Foreign Minister, Mr Hayden, declined to comment on the reported threat by General Murdani.

The Australian defence attache in Jakarta, Bigadier John Moyle, said he hoped to clarify the issue with senior Indonesian defence officials tomorrow. He said he had not been officially informed of any repercussions. Until then it was "business as usual."

General Murdani's remarks contrast with cautious but generally conciliatory comments from Dr Mochtar, who said he hoped to minimise the impact of the allegations on bilateral relations.

"Now we should be cooling it off. Maybe the article was meant to create a commotion. Reacting to it will ensure there is a commotion," he said today.

In WEWAK, senior members of the Australian delegation believe the outburst against Indonesia by Mr Kent could further damage Australia's strained relationship with Jakarta.

After a tour yesterday of the Nlogomban border refugee camp on PNG's southern border, Mr Kent said the Australian Government should take a stand against "bullying" by Indonesia which, he claimed, had been responsible for 10,000 Irianese refugees fleeing into PNG two years ago.

Mr Kent was censured for his comment at a special meeting called tonight of the seven-member delegation from the Federal Parliament's joint committee on foreign affairs and defence. Several members had earlier expressed anger at the comments.

The delegation arrived in Wewak on PNG's northern coast tonight after a two-day tour of border refugee camps.

It is the first time the committee has toured outside Australia and some members are predicting it could be the last.

The issue is likely to embarrass

the Federal Government, coming on the heels of Indonesia's angry response to Australian press allegations about the wealth of President Suharto's family.

Mr Kent, a member of the ALP's Socialist Left, said he had been "criticised very strongly" at tonight's meeting. He refused, however, to retract his comments, and broadened his attack on Indonesian and Australian government policies. "Indonesia is chasing the people of Irian Jaya off the land they have inhabited for 50,000 years through its program of transmigration from Java," he said.

"The people of Australia must come out more strongly against this Indonesian expansionism and the Australian Government should be objecting to this oppression of the Melanesian people. The more we use this appeasement the more we help the bully."

Mr Kent, who migrated to Australia from Yugoslavia at the end of World War II, compared the flight of Irian Jayans into PNG to the exodus of Europeans from the expansion of Hitler's Germany.

"I saw thousands of refugees in World War II and I don't need any more evidence of what Indonesia is doing than the 10,000 people in the PNG refugee camps who are here because they were threatened," he said.

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INDONESIA

MOKHTAR COMMENTS ON RESULTS OF TOKYO SUMMIT

BK071223 Jakarta ANTARA in English 1215 GMT 7 May 86

[Text] Jakarta, 7 May (ANTARA) -- Foreign Minister Mokhtar Kusumaatmaja said although the results of the economic summit of advanced countries in Tokyo dealt heavily with the problems of terrorism and nuclear accident in the Soviet Union, the summit did also discuss economic topics of interest to the Third World.

Questioned by reporters moments before a session of the cabinet at Bina Graha Wednesday, Mokhtar added, "right now I still could not comment much on the summit results because I still have to study the decisions of the meeting."

He said he had only read about the summit results in the newspapers and these press reports gave emphasis mostly on terrorism and the nuclear disaster. He had not himself read the official Tokyo declaration.

He said what the Third World countries were really hoping from the summit was the improvement of the economies of the world's developing countries. This has to do with the need for a consensus among the advanced nations on the exchange rate of their currencies, particularly of the dollar, Deutsche mark and yen.

If they could achieve the consensus there would be positive effects for the developing countries as it would give greater access for their products to enter the markets of the advanced countries, Mokhtar said.

It is regrettable that no such consensus was achieved in the summit. The U.S. did not agree to Japan's proposal on the exchange rate of the dollar which had continued to fall.

It would seem that time was needed for the industrialized countries to achieve a consensus on the exchange rates of their currencies, Mokhtar said.

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INDONESIA

## MOKHTAR'S VIEW OF ASEAN IN 2000

BK070756 Jakarta ANTARA in English 0733 GMT 7 May 86

[Text] Jakarta, 6 May (ANTARA) -- Indonesian Foreign Minister Mokhtar Kusumaatmaja has ruled out the possibility of ASEAN to be directed towards any military pact in the Pacific in the year 2000.

Speaking before top businessmen and foreign diplomats, members of the Indonesian executive circle at a luncheon lecture here Tuesday, the foreign minister, instead stressed that ASEAN will step beyond its horizon by expanding more economic and non-political schemes with the countries both inside or outside the Pacific rim such as Europe.

He described the recent meeting between U.S. President Ronald Reagan and ASEAN foreign ministers as an important event in ASEAN history and that it had signified the growing attention of the U.S. in this region which is playing a great role in shaping the Pacific area.

Confronted with rising [word indistinct] by many parties in this part of the world, Mokhtar denied that ASEAN could be directed toward any military schemes.

ASEAN with the six member countries including Indonesia, Malaysia, Singapore, Thailand, the Philippines and Brunei, Darussalam, is at present striving for the creation of a Zone of Peace, Freedom and Neutrality (Zopfan) in Southeast Asia.

Mokhtar noted that there are some indications that the problems of Sabah and military bases would no longer be major issues and that the Vietnamese Government has indicated their readiness to withdraw their troops from Kampuchea by 1990.

"These indications would hopefully pave the way for the establishment of Zopfan," he said.

Minister Mokhtar said ASEAN's performances since its establishment in 1967 had been reasonably successful despite much criticism that the success lies largely on political cooperation rather than the economic ones.

He indicated that the external trade of ASEAN with other countries, particularly the U.S. and Europe, had increased rapidly in the past two decades although there are some obstacles in the internal economic cooperation between ASEAN members.

To break through these obstacles, he emphasized the need of the next summit of ASEAN to be held in Mainla in 1987, to discuss ways of how to coordinate production of similar products of ASEAN member countries to more efficiency and cheaper prices.

The foreign minister said ASEAN should take a more realistic and pragmatic attitude towards the year 2000 such as through a more coordinated effort to have a bigger share of the market rather than create new ones.

According to him, the biggest market of ASEAN products is the foreign market, while the internal market in ASEAN countries themselves must still be built.

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INDONESIA

RELUCTANCE TO USE ARIANE TO LAUNCH PALAPA

BK071126 Hong Kong AFP in English 1002 GMT 7 May 86

[Text] Jakarta, 7 May (AFP) -- Indonesia was reluctant to switch to the European Ariane rocket to launch its Palapa communications satellite because it would be more expensive than using the U.S. space shuttle or a Delta rocket, Communications Minister Achmad Tahir said Wednesday.

Mr Tahir, speaking to journalists after meeting President Suharto, said that another reason Indonesia was hesitant to switch was because most of the financing for the Palapa satellite came from U.S. banks.

Mr Tahir did not cite exact figures, but Mr Pierre Giraudet, sales manager for Ariane Espace in Paris, told ACENCE FRANCE-PRESSE by phone Wednesday that the cost of an Ariane launch would be comparable with using a Delta rocket and not much more than a shuttle deployment.

Mr Giraudet declined to supply a precise dollar figure, saying the price was a confidential matter between a client and the firm.

A shuttle launch costs about 26 million dollars, he explained, adding that a Delta launch costs 30 million dollars as of a few years ago. Now, he said, the cost would be somewhat higher.

Mr Suharto last week told U.S. President Ronald Reagan that it was vital the Palapa satellite be launched in December of this year or January 1986 [as received] because one of two Hughes Aircraft-built satellites being used by Indonesia is close to exhaustion.

Failure to launch could mean a serious disruption of communications throughout this vast archipelago of more than 13,000 islands, the Indonesian president said.

Paul Wolfowitz, the U.S. ambassador to Indonesia, told reporters after the meeting that following January's space shuttle disaster, the U.S. National Aeronautics and Space Administration (NASA) could make no promises to the Indonesian Government.

But, he added, the United States recognized its responsibility and said NASA was considering the possibility of a Delta launch.

Mr Tahir, the Indonesian communications minister, said Wednesday that following the explosion of a Delta rocket on 3 May, many countries were turning to Ariane as a substitute for the shuttle. However, Indonesia was still awaiting news from the United States, he said.

"It seems Ariane is the choice of many nations, but for Indonesia it would be difficult because the cost is much higher and the Palapa B-2 was built with loans from U.S. banks," Mr Tahir said.

In Washington, the authoritative magazine AVIATION WEEK has reported that NASA hoped to be able to resume shuttle flights by July of next year.

Mr Tahir said Indonesia's concern over a delayed launch was heightened by a satellite malfunction last year which left 75 percent of the country without phone, telex, and television communications.

He said he had already alerted every telecommunications center nationwide to be prepared for any contingency, and fall back where possible on the use of submarine cables and microwave systems.

Indonesia's Palapa B-2 was launched into a wrong orbit by a shuttle mission in 1984, but later recovered, leaving the country without a backup when the country's communications were crippled by a satellite tilt in 1985.

Indonesia currently has two satellites in orbit, but one is scheduled to stop operating in July of this year, and the second, though scheduled to last through 1990, used a lot of its fuel reserve when it had to be put back into position after the tilt.

At the time of the tilt, experts said that it was doubtful the satellite would have enough fuel left to be repositioned should it tilt a second time.

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CSO: 4200/992

INDONESIA

BRIEFS

OPERATIONS AGAINST COMMUNISTS INTENSIFIED-- Jakarta, 28 April (OANA-BERNAMA)  
-- Indonesia will continue to intensify its military operations to crush communist remnants in west Kalimantan. Armed forces chief, General Benny Murdani, said during a visit to the border area recently that although the communists are insignificant to the military, "operations to crush them must be continued." He said the military operations in the area bordering Sabah was important to the security of both Indonesia and Malaysia. There are still communist remnants in remote jungle areas near the border. General Benny said it will take some time to crush them. Meanwhile, the military commander of the region Colonel H.B.L. Mantiri said that several communist terrorists were arrested recently during army operations. The military also seized hundreds of guns and other arms. [Text] [Jakarta ANTARA in English 1006 GMT 28 Apr 86 BK]

NO DECISION ON POWER PLANT--Banjarnegara, Central Java, 3 May (ANTARA)--The Indonesian Government is still uncertain with the development of a new nuclear electricity plant (PLTN) in the country, Minister for Mines and Energy Prof Dr Subroto has said. After inaugurating the use of the Serayu River for Mrica water powered electricity plant here Friday the minister explained that the construction of a nuclear powered electricity plant (PLTN) needs a long study. Usually, a PLTN needs ten years of study from the research to the operation, the minister remarked. Though a PLTN can be operated relatively cheap it needs a lot of investment. "Therefore, the government still cannot decide as to whether it will build a PLTN or not," the minister went on. According to the plan, the Mrica which will start its operation in March 1989 will have a capacity of 3 x 61.5 megawatt. Its water sources will all score from the Seraya River just inaugurated by the minister of mines and energy Subroto. The main project carried out by contractors from Sweden and Britain will need more than RP 250 million. "With its 184.5 megawatt of installed capacity and 50 million kwh/year of production, the Mrica is targeted to supply electricity for Java and at the same time replace the need of 1.2 million barrel of oil each year," Minister Subroto said. Present at the inauguration of the use of Serayu for Mrica plant were among others ambassadors of Sweden and Britain. [Text] [Jakarta ANTARA in English 1400 GMT 3 May 86 BK]

AUSTRALIAN DEFENSE STRATEGY--Indonesia's official military newspaper, ANGKATAN BERSENJATA, has described Australia's new defense strategy as irrational and warns that Indonesia will not continue to allow others to aim their weapons at

its back. The paper says the planned Australian defense strategy includes having the range and striking power to hit enemy forces within Indonesia. However, it says Australia's perception of threat from Indonesia has no firm basis. Instead, the paper says the strategy has been shaped by Australian disappointment over Indonesia gaining control of East Timor, Irian Jaya, and South Maluku. The newspaper report goes on to say that before putting the new strategy into practice, Australia must realize that Indonesia cannot continue to let others aim their arms at it. It warns that every country has its limit for tolerating for what it calls unfriendly act. ANGKATAN BERSEN-JATA is the official publication of the Indonesian military and it is thought to closely reflect the views of the armed forces chief, General Murdani. Radio Australia's Canberra office says planned changes to Australia's defense system follow a review last year by a defense specialist, Mr Paul Dibb. [Text] [Melbourne Overseas Service in English 0830 GMT 1 May 86 BK]

GENERAL ELECTIONS TIMETABLE ANNOUNCED--Jakarta, 30 Apr (ANTARA)--Indonesia plans to hold general elections on April 23 next year, a spokesman of the election committee announced here Wednesday. The spokesman said that the announcement for the election is based on the presidential decision dated April 21, 1986 which stipulates several activities of the pre-election as follows: 1. Enlist the people who have the rights to vote from May 1 to July 20, 1986. 2. Name the amount of candidates (for member of Parliament) of each region. 3. Submission of symbols of organizations in the election from May 1 to June 29, 1986. 4. Names of candidates from September 28 to October 17, 1986 and the like and the results of the election from May 18 to June 10, 1987. [Text] [Jakarta ANTARA in English 1610 GMT 30 Apr 86 BK]

OIL SHARING WITH BRUNEI--Jakarta, 27 April (AFP) -- The Indonesian state oil company Pertamina and a Brunei oil company, Jasmine Northern Petroleum Services Sdn Bhd., signed an oil production sharing contract on Saturday [26 April]. The contract was signed by the Brunei firm's managing director, Everett G. Toombs, and its executive director, Ahmad P.H.A. Rakhman, and by Pertamina President Abdul Rakhman Ramly. The Brunei company, which will operate a 1,643 square kilometer (657 square mile) onshore area in the eastern part of Madura Island, East Java, undertakes to make a minimum investment of 40 million U.S. dollars in the first 5 years. The contract is subject to normal production sharing terms, entitling the contractor to a 15 percent share of profit oil, the rest going to Pertamina, and a 30 percent share in profit gas. [Excerpts] [Hong Kong AFP in English 0841 GMT 27 Apr 86 BK] /12640

ANTARA-INDOSAT AGREEMENT--Jakarta, 3 May (ANTARA) -- A cooperation agreement a joint data base to serve the Vancouver 86 Expo was signed Saturday by the PT Indosat and ANTARA news agency. [sentence as received] Under the agreement ANTARA will provide data and the latest data and information and PT Indosat will provide the equipment needed and train ANTARA's personnel. ANTARA General Manager Bakir Hasan signed the agreement on behalf of ANTARA. The Indosat signed a similar agreement with THE JAKARTA POST which was represented by Moch Chudori. [Excerpts] [Jakarta ANTARA in English 1410 GMT 3 May 86 BK] /12640

CSO: 4200/992

MALAYSIA

REPORTAGE ON SECOND SOUTH-SOUTH SUMMIT MEETING

Mahathir on Tokyo Summit

BK081315 Kuala Lumpur BERNAMA in English 1239 GMT 8 May 86

[Excerpts] Kuala Lumpur, May 8 (OANA-BERNAMA)--Malaysian Prime Minister Dr Mahathir Mohamed Thursday accepted the chairmanship of a steering group to prepare the groundwork for the establishment of the independent commission of the South on development issues.

Announcing this when chairing the concluding session of the four-day second South-South summit here, the prime minister said he hoped to submit a report by the time the heads of governments of the Non-Aligned Movement (meet in) Zimbabwe on Sept 2.

He described the proposed formation of the commission as the most important decision taken by the conference.

He said the steering group would "try to finish the work as quickly as possible.

"We want to be practical and we are not interested in apportioning blame to people and instead concentrate on what we can and will do in order to overcome the problems that are faced by the countries of the South," he added.

The conference came out with a document known as the Kuala Lumpur statement which stressed the necessity and urgency for the South to reappraise its position and chart out a path for the future.

Speaking at a press conference later, the prime minister said that while the Tokyo summit had stated that the world economy was picking up, the tone of the South was different.

He said the South did not think that the world economy was doing that well.

"In fact, everyone agrees that we are facing an economic crisis which requires action to be taken in order to alleviate the situation," he added.

In doing so, Dr Mahathir said the South had to be practical and clear about the things that they wanted to do on very specific issues.

Despite the South facing problems in differences of ideology, he said, there were some common problems, and to address these problems, particularly in overcoming the depressed commodity prices which most countries in the South were dependent on, a strategy had to be mapped out.

"The commission will come out with practical solutions and not be involved in rhetorics," he said.

On relations between the South and the North, Dr Mahathir said the South would not like to have confrontation with the North as this was non-productive.

"We should work with people who are willing to work with us," adding that "there are people in the North who are willing to work with us."

He said it was unfortunate that it was the "most powerful people" who felt that there was no necessity to work with the South or to take into consideration the problems of the South.

"But there are people who are sympathetic towards us and I am sure they can contribute in some way or maybe influence the thinking in the North because, in the final analysis, we are interdependent.

"Like it or not, the South will still have to trade with the North. So it is good to have friendly people up there in the North and we should cultivate them," he said.

Asked whether the commission would consider holding a renewed dialogue with the North, the prime minister said it would definitely consider this.

He declined to state the countries in the North that were not sympathetic to the South, but said in reply to a question that "it did not sound like the seven countries which met in Tokyo are very concerned about us, they did not even invite us as observers or something like that."

The prime minister also said that ASEAN would like to have more cooperation with the different regional groupings in the South.

To illustrate the lack of cooperation among the South countries, Dr Mahathir cited the need for the delegates to the conference to go to an airport in the North before reaching here, adding that the same applied to Malaysians wanting to go to Africa and Latin America.

He said, "We will have to find a way of establishing our own direct linkages not only in terms of travel but also economic cooperation."

Asked to comment on his proposal when opening the meeting that a minister from each country be assigned to oversee South-South cooperation, he said each country should nominate a minister to follow actions taken on South-South cooperation.

This would enable all governments to be up to date on what was being done and what the governments should do.

About 80 scholars and statesmen participated in the summit, organised by the Institute of Strategic and International Studies (ISIS) and the Third World Foundation. They included the secretary-general of UNCTAD, Kenneth Dadzie, and the secretary-general of the Commonwealth Secretariat, Sir Shridath S. Raphael.

#### Summit Urges Closer Ties

BK081429 Kuala Lumpur BERNAMA in English 1356 GMT 8 May 86

[Text] Kuala Lumpur, May 8 (BERNAMA ES)--South-South cooperation should be reviewed to place it on a firmer footing. At the same time, inter-regional trade and investment must be further expanded taking into account individual government needs.

These are among the resolutions reached at the end of the four-day South-South II summit here today.

In a communique, dubbed "the Kuala Lumpur Statement", the conference called for wider support to be secured for the proposed south bank, which it said can help overcome some of the financial handicaps facing the South.

It also said efforts must continue to be made to improve the operations of the payment and credit schemes among the developing countries including the incorporation of longer-term credit arrangements.

External support for such schemes should also be sought and a start should be made in exploring the possibilities of inter-regional arrangements.

On commodities, it said while urgent initiatives are required through the North-South talks to improve the poor commodity situation, the continuing lack of progress called for need for the southern commodity producers to take action to help themselves.

This heightened the importance of producer cooperation, including the establishment of central selling agencies.

It added that progress needed to be made in the setting up of financing and other infrastructural arrangements in support of intra-South trade, including arrangement for countertrade.

In this connection, it urged Third World governments to review their banking laws and regulations in order to encourage their development and to undertake collaborative measures in trade and finance.

The summit, attended by about 100 prominent Third World statesmen and scholars, also supported the initiative for the establishment of a consortium of banks to provide such finance.

It also stressed that in view of the uncertain prospects for growth in the North, the South will have to look within itself for the momentum for its growth.

This called for policy coordination and harmonisation among developing nations over a number of areas such as trade.

The problem of lack of coordination between national, regional, South-South and North-North approaches in the South-South cooperation was also raised.

It stressed that South-South cooperation process should be used as a vehicle for the strengthening of the collective bargaining power of the South in the North-South talks, while the North-South process itself should be utilised for security increased resources and opportunities for South-South cooperation.

It said in order to (?establish) necessary linkage between North-South and South-South policy implications, the identification of national needs should take full account of these dimensions.

It will also remove significant barriers which have led to South-South issues being treated in isolation from North-South issues.

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MALAYSIA

BANK BUMIPUTERA CHAIRMAN COMMENTS ON BANK'S PERFORMANCE

BK081225 Kuala Lumpur BERNAMA in English 1155 GMT 8 May 86

[Text] Kuala Lumpur, May 8 (BERNAMA ES)--Bank Bumiputera Chairman Tan Sri Basir Ismail said today the current poor economic environment will be reflected in the results posted by banks this year.

Asked by reporters about Bank Bumiputera's latest performance, he said like any other corporations, the bank operates within an economic environment and "the environment is very bad".

This will be reflected in the financial results of not only banks but also other companies, he said.

But Tan Sri Basir refused to say if this will mean that Bank Bumiputera's results for 1985 will decline.

He said he cannot give details because the accounts are being audited and yet to be approved.

The bank recovered in 1984 with an after-tax profit of \$480.6 million, mainly due to gains arising from the disposal of its shares in Malayan Banking to Permodalan Nasional Bhd. It actually suffered an operating loss of 105.4 million during that year.

For 1983, Bank Bumiputera was saddled with a massive \$973.6 million after-tax loss after absorbing the liabilities of its Hong Kong subsidiary, Bumiputra Malaysia Finance (BMF), which could not collect some \$2.5 billion of loans given out to property companies there.

On loan problems faced by Bumiputera businessmen, chief general manager of the bank's corporate division, Syed Hamid Albar said last month the bank set up a month ago a special unit to assist clients in loan restructuring.

He refuted allegations by some Bumiputera businessmen that there is no such unit in the bank. He said some cases for loans restructuring are being tackled by the unit.

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CSO: 4200/1011

NOTICE: In JPRS-SEA-86-073 of 28 April 1986 the title for this article appeared on Table of Contents but text was inadvertently left out of report.

JPRS-SEA-86-090  
28 May 1986

MALAYSIA

## INCREASED CHINESE HOT BRIQUETTED IRON IMPORTS

Kuala Lumpur BUSINESS TIMES in English 26 Mar 86 p 1

[Text] CHINA is keen to step up imports of hot briquetted iron (HBI) from Malaysia on a long-term basis, a Chinese embassy official said in Kuala Lumpur yesterday.

Mr Shang Fu Chen, the embassy's commercial counsellor, said this is in addition to the memorandum signed between the Sino-Malay Joint Chambers of Commerce for the purchase by China of 200,000 tonnes of HBI valued at \$47 million over a two-year period.

For this purpose, he said a seven-member team from China comprising metallurgical engineers and technicians will soon visit Labuan-based Sabah Gas Industries, the HBI manufacturer, to ascertain the standard of the HBI and export viability over a long-term period.

"HBI from other markets have proved to be inconsistent in quality," he said in an interview. "If Malaysian HBI proves otherwise, then we will seek regular supply from this country."

However, this is only one means whereby China is bent on enhancing bilateral trade with Malaysia on a more equitable basis which now is slightly in the former's favour, he added.

To correct the trade imbalance, Mr Shang said, China is keen to make Malaysia a half-way house to process China's iron ore imports

now involved in the construction of the \$700 million China International Trade Complex in Beijing.

There is also a joint venture to produce spring mattresses which has culminated in the setting up of two plants in Tianjin and Shanghai.

Mr Shang also said that both China and Malaysia should step up the exchange of visits by businessmen and investors on a more regular basis so that trade can be on a more consistent basis.

For the first 11 months of 1985, estimated total trade volume between the two countries amounted to \$845 million from Australia. He said the plan is in the pipeline.

In addition, it will also make efforts to increase the purchase of manufactured and semi-manufactured goods from Malaysia in line with Malaysia's move to shift its exports from basic raw materials to that of manufactured goods.

On crude palm oil, he said China's official off-take from Malaysia amounted to 38,000 tonnes last year.

However, this did not include the import of the commodity by other provinces which he said is about 30,000 tonnes annually.

On Malaysian investment in China, Mr Shang said the Kuok group is

MALAYSIA

BRIEFS

SABAH'S ELECTED MINISTER CONGRATULATED--The prime minister, Datuk Sri Dr Mahathir Mohamed, has congratulated Parti Bersatu Sabah [PBS] President Datuk Joseph Pairin Kitingan on his victory in the Sabah state elections. He expressed the hope that close understanding and unity will be established. In a message, the prime minister says he hopes that the victory will enable the PBS to carry out development plans in Sabah for the benefit of all the people in the state. Meanwhile, the PBS has reapplied to join the National Front. The chief minister and president of the party, Datuk Joseph Pairin Kitingan, disclosed that it had reapplied to join the National Front even before the results of the state elections were known. He told newsmen that the party wanted to be in communication with the Front leadership. Datuk Pairin said he would inform the prime minister about the results of the state elections and the appointment of three deputy chief ministers. [Text] [Kuala Lumpur International Service in English 0600 GMT 8 May 86 BK] /6662

CSO: 4200/1011

NAURU

PRESIDENT SEEKS AUSTRALIAN ISLAND TO COLONIZE

BK140600 Melbourne Overseas Service in English 0430 GMT 14 May 86

[Text] The president of Nauru, Sir Hammer de Roburt, said today his government was still looking for an Australian island to colonize once Nauru's phosphate deposits run out. Sir Hammer de Roburt told AUSTRALIAN ASSOCIATED PRESS that he had raised the possibility of an Australian island being offered to Nauru in talks today with Australian foreign minister, Mr Hayden, who is in Nauru on a South Pacific tour. He said Australia had offered an island once before, but at the time the two governments could not see eye to eye on the terms and conditions to apply.

According to Sir Hammer, Mr Hayden's response today was that offers of Australian island were a thing of the past. The only alternative, said the Nauruan leader, was to rehabilitate his island of some 22 square kilometers. In this regard, his government would be looking for help from former trustee countries of Australia, New Zealand, and Britain.

AUSTRALIAN ASSOCIATED PRESS says other issues discussed with Mr Hayden today included the problems of New Caledonia gaining independence and the South Pacific nuclear-free zone treaty.

Sir Hammer said New Caledonia would be a very serious topic at the next meeting of the South Pacific forum in Fiji in August. He said he would support moves by Solomon Islands and other countries who have the matter referred to the United States [as heard]. The nuclear-free zone treaty was described by Sir Hammer as inadequate and containing the loopholes.

Mr Hayden is flying to Kiribati on the next leg of his 8-nation Pacific visit.

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NEW ZEALAND

LANGE FACES GROWING PARTY DEMAND TO LEAVE ANZUS

HK050404 Hong Kong AFP in English 0357 GMT 5 May 86

[By Ray Lilley]

[Text] Wellington, 5 May (AFP) -- New Zealand's Labor Government faces a rising tide of competing demands which threaten to completely cancel its membership of the ANZUS alliance.

The dilemma facing the government of Prime Minister David Lange is that the United States is demanding New Zealand return to "operative membership" of ANZUS by reversing its policy banning nuclear-capable warships from new Zealand ports.

At the same time the latest regional conferences of the governing Labor Party have demanded that it cancel its membership of ANZUS altogether, and even turn off the supply of intelligence information to nuclear powers like the United States and Britain.

Some observers see Mr Lange's anti-nuclear policies catching him between "a rock and a hard place," but the ebullient and charismatic prime minister still publicly believes a policy accommodation with the United States is possible.

He has in the past few days rejected renewed Labor Party demands for a cutting of the ANZUS connection, while at the same time offering the Reagan administration a new formula aimed at solving the anti-nuclear stand-off.

Only last week Mr Lange recommended what he called the "Chinese formula" as a method of resolving the ANZUS anti-nuclear row with the United States.

He described the "Chinese formula" as allowing Beijing to "accept" port visits by British warship, while London in turn "accept" China's anti-nuclear policies.

Mr Lange said that the British had indicated they would not wish to bring nuclear weapons to New Zealand, while the United States continued to reject a softened line towards New Zealand.

Only last week State Department spokesman Charles Redman was quoted from Washington as warning New Zealand would be ejected from ANZUS if it passed legislation now before parliament which would codify as law the country's strong stand against the presence of nuclear weapons and nuclear-powered warships in its ports.

U. S. naval officials also warned last week that the United States had 40 percent nuclear powered vessels in the Pacific and "could not maintain two navies" to meet the anti-nuclear whims of small countries like New Zealand.

But Mr Lange may have to be more concerned with fresh anti-nuclear posturing in the ranks of his own Labor Party than the comments of U.S. spokesman.

The latest signals from the Labor Party's grassroots are for ending the ANZUS link immediately, something Mr Lange has consistently refused to do.

The Labor Party's anti-ANZUS policies have been taken up by virtually all other parties in New Zealand, leaving only the major opposition National Party supporting continued membership of the 35-year-old military alliance linking the United States, Australia and New Zealand.

Mr Lange has continued to set his government's formal policy face firmly against breaking away from ANZUS, despite his party's constant demands.

But a special defence review committee, headed by a former chief of New Zealand's Foreign Affairs Department, could inadvertently add to Mr Lange's dilemma, with a series of special public opinion polls on the defence issues facing New Zealand.

The committee, headed by Frank Corner, will be seeking public opinion on defence questions and there is little doubt ANZUS will receive less support than the anti-nuclear policies of the Lange Government.

But there will still be strong public support for this cornerstone defence link between the three Pacific allies, and support strong enough to make it very difficult for Mr Lange to abrogate it.

That continues to be something he refuses to do, even though there are growing demands for such action.

Unless Mr Lange can break through U.S. intransigence and reach an anti-nuclear compromise, he faces even wider calls for cutting the ANZUS connection.

But every statement from the United States, including those confirming that diplomatic discussions on the anti-nuclear law are continuing, warns that New Zealand's anti-nuclear policies will end the ANZUS connection.

Observers see the issue becoming a sparring match between Mr Lange, his party, and the United States, which has consistently said it will shelve ANZUS until either the Lange Government comes to its senses or is replaced at the next election.

At that time, probably in September-October next year, a national government in New Zealand would reverse the present anti-nuclear drive and invite U.S. warships back into New Zealand ports.

But Mr Lange has made it clear his government will do nothing of the sort, regardless of the political and strategic price involved.

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NEW ZEALAND

SIGNS OF THAW REPORTED IN RELATIONS WITH FRANCE

HK061002 Hong Kong AFP in English 0955 GMT 6 May 86

[Text] Wellington, 6 May (AFP) -- The New Zealand Government said Tuesday it would not hold a public enquiry into the sinking of the Greenpeace flagship Rainbow Warrior by French secret service agents.

Transport Minister Richard Prebble called the decision to shelve a full public enquiry "a gesture of goodwill" and an expression of the New Zealand Government's desire to have good relations with France.

His announcement came on the same day as another indication of a slight warming in relations between New Zealand and France.

Trade Minister Mike Moore disclosed that France had agreed to lift some "informal trade barriers" to New Zealand goods.

These barriers were allegedly imposed by Paris in retaliation for New Zealand's jailing of two French agents who helped carry out the bombing of the Greenpeace ship in Auckland Harbor in July, in which one crew member died.

Mr Moore said a French ban on Kiwi fruits was to be lifted following a European Commission hearing of New Zealand complaints over the informal bans.

New Zealand had been given a "good hearing," under the General Agreement on Tariffs and Trade (GATT), Mr Moore said, and France had been asked by the commission to lift the kiwi fruit ban.

Other New Zealand products affected by the informal French ban include wool, potatoes, fish and lamb's brains.

"We will continue the diplomatic and legal arguments through the commission," Mr Moore said, adding that a host of other issues remained unresolved.

Last year, when relations between Paris and Wellington were severely strained, the New Zealand Government indicated that it might hold a formal public enquiry into the sinking of the Rainbow Warrior.

Mr Prebble, the transport minister, said on Tuesday that he had been given a legal opinion late last year which recommended not holding a public

enquiry. But, Mr Prebble added, he had "delayed a decision since before Christmas to keep public attention on the issue."

Since Christmas, the New Zealand Government has hinted several times that it might mount an enquiry to expose the full range of evidence collected against French agents who sank the Greenpeace ship.

But Mr Prebble admitted on Tuesday that "a number of very great legal difficulties" prevented holding a formal enquiry and confirmed that the possibility of an enquiry had been "used as a lever with the French."

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NEW ZEALAND

## GOVERNMENT REPORTS DROP IN INFLATION RATE

### Falls to 13 Percent

Wellington THE EVENING POST in English 12 Apr 86 p 1

[Article by Michael Hannah]

[Text]

**Inflation has fallen for the third time in nine months to a rate of 13 percent in the year up to March 31, 1986.**

This is a drop from 15.3 percent last December, 16.3 percent last September, and a peak of 16.6 percent in June 1985.

The latest inflation figures show consumer prices, on a national average, rose 2.3 percent in the last three months — the same rate as in the previous three months to December 1985.

A similar rate of inflation in the next three months would give a 10 percent rate by the middle of this year.

There was more good news in the latest inflation figures released today by the Government Statistician, with food price inflation below 10 percent for the first time since December 1984. Food prices rose 9.6 percent in the month of March.

The achievements can be attributed to the Government's tight monetary policy. But the cost for many New Zealanders has been soaring interest rates.

Housing costs, including interest on mortgages, made up one third of the rise in inflation in the last three months. They were the single biggest factor pushing inflation up.

Recent announcements of still more mortgage rises for the next two months mean that housing costs will probably prevent a steeper fall in inflation in the June quarter.

But a 10 percent inflation rate in June is still on the cards.

There are striking parallels between the drop in inflation achieved by the tight monetary policy of the present Government, and the drop achieved under the previous Government's wage and price freeze in 1982.

Back in 1982, inflation hit a peak of 17 percent in June and fell back to 16.6 percent, then 15.3 percent and 12.6 percent in successive quarters.

More recently, inflation hit a peak of 16.6 percent in June 1985, then fell through 16.3 percent, 15.3 percent and finally 13 percent in successive quarters.

The costs have been markedly different, however. Under the wage-price freeze, unemployment soared to record levels. Under the present monetary squeeze, interest rates have soared.

The Government's chances of getting the economy off the boil, and inflation simmering below 10 percent, now depend on:

- Bringing housing interest rates down.
- Ensuring businesses cannot recover recent wage rises just

through price rises.

To get housing interest rates down, there needs to be a drop in wholesale interest rates, and this will depend on investors accepting both that inflation will continue to fall, and that the Government can control its deficit and borrowing.

Signs that wholesale interest rates are about to come down emerged this week with Government stock quotes falling.

This would suggest rates will fall in next week's Government stock tender, which is raising money to both balance the Government's spending and soak up extra cash flowing into the money system from older debt that is now maturing.

Mortgage interest rates would theoretically follow suit several months down the track.

If that occurred, according to some Government sources, inflation would spiral downwards — probably next year — along with interest rates.

Significant increases in prices in the March quarter showed up on fresh fruit and vegetables, interest on home mortgages, house rents (including Housing Corporation rents), house prices, real estate agents' fees, contractors' charges for house maintenance, meals away from home, car repairs and maintenance, suburban bus and rail fares, new and used cars, car insurance, beer and alcoholic spirits.

## Finance Minister Hails Policy

Wellington THE EVENING POST in English 12 Apr 86 p 1

[Text]

The marked reduction in inflation showed the community was now getting some rewards for facing the pain of economic adjustment, the Minister of Finance, Roger Douglas, said today.

Figures released today show the inflation rate was 2.3 percent for the March quarter and 13 percent for the year ended March 31.

"We have now had three quarters in a row with inflation at an underlying annual rate of 10 percent," Mr Douglas said.

"The sceptics have said that inflation would not come down — and that neither would interest rates or exchange rates.

"The sceptics are being proved wrong."

Mr Douglas said with inflation on the way down, interest rates would follow in due course.

The Minister of Trade and Industry, David Caygill, said the

March quarter figure meant that much of last year's wage round had been absorbed without leading to higher prices.

Apart from the period of the price freeze, Mr Caygill said it was necessary to go back to 1972 to find two quarters in a row as low as 2.3 percent.

### Impact

But the Opposition finance spokesman, George Gair, disputed Mr Caygill's comments on the wage round, saying it yet had to make its full impact on the rate of inflation.

The new round of Government-led price increases announced recently would also not affect the index until the June quarter. Mr Gair said an annual rate of close to 20 percent by December when the goods and services tax made its impact was now a "virtual certainty." — NZPA

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CSO: 4200/990

NEW ZEALAND

## GOVERNMENT SUBSIDIZES RAIL TRIP FOR EXPORT COAL

Auckland THE NEW ZEALAND HERALD in English 10 Apr 86 p 13

[Text]

### NZPA Wellington

The Government yesterday decided to continue transporting West Coast export coal by rail rather than lose nearly 1000 jobs.

The cheapest proposal for State Coal Mines would have been an offshore mooring buoy slurry terminal which would have saved raiiling the coal across the Southern Alps to Lyttelton.

The subsidy cost of keeping the Midland Line open for the coal exports would be about \$50 million over 15 years, according to the Minister of Transport, Mr Prebble.

But the Minister of Regional Development and the MP for West Coast, Mr Kerry Burke, said that closure of the Midland Line between Greymouth and Christchurch would have meant an almost instant loss of close to 1000 jobs.

### Replacement

Other industry would have closed, population would have fallen and "regional confidence would have been shattered," he said.

The Government has also decided not to close the

Strongman Mine immediately. Instead production will be phased out over five years while a replacement is developed.

The Minister of Energy, Mr Tizard, said the cheapest option for State Coal was the slurry proposal.

That had proved a practical and economic proposition after four years of trials and would have meant pumping a coal and water mix through pipes to ships anchored off Ngakawau.

However, that would have removed 55 per cent of the rail traffic over the Midland Line.

The extra cost of transporting the coal by rail will be paid to State Coal as a regional development subsidy.

Mr Tizard said that the commitment to pay a subsidy reflected Government policy that state-owned enterprises should not be disadvantaged commercially when the Government made decisions on social or regional development grounds.

The current export volume of Buller coal for this financial year is 320,000 tonnes, mainly to Japan, valued at \$30

million.

State Coal plans to increase export quantities to 600,000 tonnes.

### Job Losses

Mr Burke said that there had been 14 options for the coal exports. These had been reduced to three after study by a cabinet committee.

The third alternative ruled out by the Government was a deepwater, multipurpose port.

Mr Prebble said that a slurry pipeline would have provided only about 15 jobs.

Ministry of Works and Development assessments showed that closure of the rail line would have meant the loss of 532 direct jobs and 352 service jobs which supported about 1780 people.

Mr Prebble said that when those wider economics were taken into account — separately from the straight slurry versus rail question — the rail option was the most cost efficient.

The Railways Corporation will now build 56 new special wagons for the line.

The Lyttelton Harbour Board will also buy a bottom-dump wagon hopper, conveyor belts and stockpiling facilities which

will allow a 13-wagon train carrying 650 tonnes of coal to be unloaded in about half an hour.

### Profound

Railways had provided State Coal with a firm quotation to carry up to 600,000 tonnes a year, Mr Prebble said.

"Coal exports are also a significant proportion of Lyttelton's exports and the loss of the coal trade would have a profound adverse affect on Lyttelton and indirectly on Christchurch as well."

However, Mr Prebble said that the cabinet had made it clear that Railways was to achieve all possible productivity gains.

"The Government's support for the Midland Line is dependent upon the early introduction of alternative manning.

"Guards' vans on coal trains are nonsense."

Mr Prebble said that yesterday's decision was consistent with the Government's free market economic philosophy.

"As a finance minister I am satisfied it would cost us more money as a Government if we went for the slurry pipeline," Mr Prebble said.

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CSO: 4200/990

NEW ZEALAND

BRIEFS

LANGE MEETS JSP HEAD--Wellington, 22 April KYODO--New Zealand Prime Minister David Lange told a visiting Japanese opposition leader Tuesday that the New Zealand parliament may pass legislation banning port calls by nuclear-armed and nuclear-powered vessels by July or August. In a meeting with Masashi Ishibashi, chairman of the Japan Socialist Party (JSP), Lange said his country is resolved in its nonnuclear policy despite reports that the United States may impose economic sanctions in response. He emphasized, however, that the passage of the bill would not damage ties with the U.S. or Australia adding that the Anzus Treaty is no now a nuclear pact. Lange then referred to legislation for a nuclear-free zone in the South Pacific, and said he wanted to see it approved by the New Zealand parliament by the end of July, when leaders of the region are to meet in Fiji. He also showed a strong wish to visit Japan. [Text] [Tokyo KYODO in English 0432 GMT 22 Apr 86 OW]

INTELLIGENCE MEETING WITHDRAWAL--Wellington, 5 May (AFP)--Premier David Lange on Monday rejected British press reports that New Zealand was excluded from a top-level secret intelligence committee because of its anti-nuclear policies and said he had decided New Zealand should stop attending. He was commenting at a press conference on a report in the London SUNDAY TIMES that Britain and the United States has barred New Zealand from the weekly top-level intelligence committee meetings in the cabinet office at Downing Street. The SUNDAY TIMES claimed the Thatcher Government made the move, apparently after the United States cut intelligence links with New Zealand after it banned nuclear warships from its ports. The CIA station chief in London is reportedly a key figure in briefing British intelligence chiefs and representatives of Commonwealth Governments, including Australia and Canada at the meetings. "New Zealand has never been excluded by the British from any meeting," said Mr Lange today. The United States had delivered its "menu of reprisals" for the ban on its nuclear warships using New Zealand ports in February last year, which included reducing all intelligence information supplies. "In March in London I was there when it was decided we would not compromise our friends' position relative to the United States," said Mr Lange. "We decided not to attend the short briefing sessions held weekly in London," he added.

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CS0: 4200/1000

PHILIPPINES

MALAYA COLUMNIST DISCUSSES REAGAN'S CALLS TO AQUINO, MARCOS

HK100842 Quezon City ANG PAHAYAGANG MALAYA in English 3 May 86 p 4

[Column by Luis R. Mauricio: "What They Would Do for a Lackey"]

[Text] Shortly before midnight of April 24 (Manila time), prior to his departure for Hawaii on his way to the Bali conference, U.S. President Reagan called President Aquino by phone and expressed to her his "admiration for the remarkable feat of the Filipino people in the peaceful restoration of democracy" in their land.

It is a queer time to express admiration, considering that the feat for which Reagan was congratulating the Filipino people, through their President, occurred earlier by almost two months to the day.

If there was any shred of sincerity in his tribute, it could have been transmitted earlier, then his bona fides would not be suspect.

It may be said that diplomatic practice demanded prudence in giving recognition to any government after a political upheaval, such as that which took place in Manila last Feb. 22-25. Reagan could not have hastily sent out premature recognition to the Aquino government--so the argument would run--lest it be misinterpreted as some form of meddling.

(It is a ridiculous argument, of course, in the light of the history of Philippine puppetry to the U.S., even after she had regained her independence in 1946.)

Granted. But did it have to take Reagan two months before he could find time to felicitate his opposite number? One month after the deed, perhaps, would have been a reasonable period of waiting--even that strains one's credulity.

After informing Mrs Aquino that his government would be giving the Philippines addition aid (\$100 million in economic assistance and \$50 million in military assistance), Reagan invited her to visit Washington, hinting at preference for some time after the elections next November. Mrs Aquino was quoted by her spokesman as having said she would be delighted to do so.

Perhaps the President's advisers should counsel her to go slow about accepting invitations from second-rate actors in Grade B movies.

In the first place, what "elections next November" did Reagan have in mind? Could he probably be referring to elections in the Philippines? But local government elections being held in November this year is simply a speculation of Politics Minister Antonio Cuenco, whereas the consensus in the Cabinet is that this political exercise will come about only sometime before February next year!

And surely Reagan could not have been referring to the U.S. presidential elections, since he knows he was reelected only in 1984 and the next presidential elections will come only in 1988. Could he have had in mind a trip for Cory to the U.S. sometime after November of 1988 when he would no longer be staying at the White House?

Secondary, it is time Mrs Aquino realized that the phone call she got from Reagan was merely an after thought, an overture offered in propitiation of a diplomatic gaffe he was about to commit.

Days before that call, Reagan had made known his decision to telephone deposed President Marcos during his scheduled stopover in Hawaii (April 26-28), and, according to the FAR EASTERN ECONOMIC REVIEW, this decision "caused consternation in the U.S. State Department."

"In an effort to limit the damage caused by the announcement of his intention," said the REVIEW, "he is now being urged to phone President Corazon Aquino to invite her on a state visit to the U.S. and let her know the Philippines will be receiving an extra U.S.\$150 million in aid."

That was exactly what Reagan did!

Moreover, Mrs Aquino ought to be reminded that Reagan cannot afford to abandon Marcos. He owes him a personal favor as immense as the financial contribution Marcos gave to Reagan's campaign chest.

Besides, Marcos has been a long-time and loyal lackey of his and of the American government.

Does not Mrs Aquino recall that, at the time Marcos had just killed democracy and freedom with his proclamation of martial law, Reagan's vice president, George Bush, was extolling the tinhorn dictator to high heavens for his "adherence to democracy"?

And what about that time, four or five days after the Feb. 7 election, when Reagan issued a public statement to the effect that fraud and violence were committed by both (Marcos' and Aquino's) sides, despite Habib's report to the contrary?

If the U.S. President has not been publicly demonstrative lately in his backing of his lackey-friend, it is only because of the constraints of official U.S. policy toward the new Philippine Government.

In fact, the much-publicized statement of Hawaii Governor George R. Ariyoshi about his friend Marcos--a statement which he allegedly expressed to Reagan before the latter's departure for Guam on his way to Bali--was more a ploy to bail the U.S. President out of his predicament than a repudiation of Marcos.

Ariyoshi was supposed to have told Reagan that it was "in the best interest of Hawaii and the United States to let him (Marcos) go to another country," because the deposed president's presence "has polarized the Hawaiian community."

Opinion writers have interpreted this statement as indicating that another "friend" was turning against Marcos. On the contrary, it is a statement intended to give Reagan enough justification, notwithstanding his government's official hands-off policy (with respect to Marcos), to use the good offices of the Presidency of the United States of America to get a third country, a friendly one, to provide his Philippine friend a safe and comfortable haven.

If there be such a new place for the Marcoses outside of U.S. territory, Reagan and Ariyoshi will have succeeded in putting their friend out of the reach of U.S. courts where he, his wife and his entire family are facing a string of cases involving--as Imelda caterwauled in a recent interview--26 billion U.S. dollars.

By forgetting all about Reagan's invitation to her, Mrs Aquino would be making history by being the first Philippine president who did not seek the benediction of the Great White Father upon her assumption of office.

It would be a distinction she could wear with dignity, an ornament worthy of a people who had earlier succeeded in "peaceful restoration of democracy."

/6662  
CSO: 4200/1019

PHILIPPINES

RADIO CRITICIZES 'PROTECTIVE' U.S. ATTITUDE TO MARCOS

HK051133 Quezon City DZFM Radio in Tagalog 1050 GMT 5 May 86

[Unattributed commentary]

[Text] As you may have read, U.S. Secretary of State George Shultz was reported to have told Vice President Salvador Laurel in Bali that the Aquino government should give former President Marcos a passport so that he can leave the United States. It is difficult for us Filipinos not to be astounded by this request, while we are shaking our heads over the fact that President Ronald Reagan took the trouble to telephone Marcos when he stopped over in Hawaii.

It is said that Reagan is an old friend of Marcos, so perhaps this is why the Americans are asking that Marcos be allowed to leave the United States. Why is it the Americans are so concerned about Marcos? Why do they just not ignore him or forget about him? After all no other country wants to grant him asylum. The man is a criminal who has stolen too much of his country's wealth; he is a man who will go down in history as the worst president this country has ever had. And yet the Americans--President Reagan mainly--still treat him with respect. What are we Filipinos to think?

If indeed the Americans are so concerned about Marcos, why do they just not let him stay on in their country? Are they not treating him nicely as it is--allowing him to enjoy his stolen wealth, to hire lawyers to defend him, to burn the telephone wires to Manila creating trouble for the Aquino administration? The Americans know very well that the Aquino government is trying its hardest to get back as much of the stolen wealth as possible, most of which is in the United States. If Marcos succeeds in leaving the United States for another country, the chances of recovering that wealth will be slim. Is this why the Americans are being so protective of Marcos? Do they want Marcos to leave the United States because they are afraid that if the Salonga commission takes Marcos to court, a lot of other nasty things will be revealed--among them Marcos' shady links with Reagan?

It is really astonishing to find the Americans behaving in this way over this deposed dictator. You do not hear about the French being so solicitous about the deposed Haitian dictator Duvalier. They are not bending over backwards being nice to him.

The Americans say they recognize the Aquino government, they say they will increase aid to the Philippines. And yet in the next breath they act overly solicitous about the man who, after 20 long years, was removed from office by an angry people. What are we Filipinos to think?

/9604

CSO: 4211/48

PHILIPPINES

EDITORIALISTS DISCUSS TIES, RELATIONS WITH U.S.

Need To Clear up 'Gray Areas' Seen

HK121418 Quezon City ANG PAHAYAGANG MALAYA in English 7 May 86 p 4

[Editorial: "Gray Areas in RP-U.S. Relations"]

[Text] The visit of United States Secretary of State George Shultz tomorrow for talks with President Corazon Aquino should be an opportune time for us to clear up the gray areas obtaining in RP-U.S. relations. Ever since the assumption of the new government to power, U.S. policy has been observed to have become somewhat too personal, fluctuating between its "loyalties" to the deposed tyrant and its perceived "obligations" to the Aquino government vis-a-vis the two giant bases in this country. After taking all of two months to phone our president (and only as an afterthought to the initial announcement of a similar call to Marcos) now comes President Reagan and the state secretary endorsing the lifting of the passport ban on the former conjugal rulers. These statements are not conducive to the improvement of the two countries' relations to which much lip service has been paid, to say the least.

The perception in the foreign community is that U.S. officials would like the Marcoses to be able to leave so that they can dodge the U.S. courts which are now trying up their stolen properties. The U.S. move might have been understandable--although unconscionable--in the light of a very personal friendship between the Reagans and the Marcoses, if those properties in American soil were legally and honestly acquired. But as Vice President Salvador Laurel pointed out in Bali: "The Philippines is broke--Marcos left the country and brought all the money with him." The massive plunder of the country's resources was echoed by Ambassador Emmanuel Pelaez to the U.S. who called for no less than a Marshall Plan type of aid to put the Philippine economy back on its feet.

The forthcoming talks of our top officials with Mr Shultz should be marked with the utmost candor if anything is to be achieved that might conceivably pave the way for an honest-to-goodness improvement in current relationships between the two countries. Mr Shultz was reported saying that they (the U.S.) "don't have an infinite capacity to provide money." He should be told in the strongest terms that the U.S. has an obligation to pay rent for the use of Clark Field and Subic and that we do not intend to cancel the passport ban on the Marcoses until we have recovered the billions they stole from this poor country.

Finally, Mr Shultz should be asked to make a categorical statement on how his government intends to deal in the future with the administration of President Aquino--or if it desires to deal with the Marcoses instead. And Mr Shultz could bring the message home to his President--in black and white, this time--to do away with the gray areas that could not help in strengthening the present RP-U.S. relations. It would be such a pity if this relationship could not prosper after the historical ties that have bound the two nations, proven in war and in peace, has endured the last 80 years or so.

#### Benefits of U.S. Aid Questioned

HK100644 Manila THE MANILA EVENING POST in English 8 May 86 p 4

[Editorial: "U.S. Aid and U.S. Goods"]

[Text] In the past, we had occasion to point out that foreign aid, especially from the United States, is not really pure altruism as the donors would want us to believe. Now comes a news report from Washington confirming our belief that the billions of dollars the United States spends in so-called aid quickly returns to that country in various forms.

According to the General Accounting Office, the money that they give out returns to the United States as purchases of U.S. goods, as wages, salaries and other payments. Also, in the form of loan repayments. Not only that. Loans and grants provided other countries by the United States are generally spent in the United States to purchase either military hardware or other types of equipment.

Loans and grants under the so-called Food Aid are used to buy U.S. farm products or to pay U.S. shippers. In reality, no actual payment is made outside of the United States. In short, it is the American businessman or the American farmer who benefits from American aid and not the recipient.

This is true of the Philippines. Whatever assistance the Americans give us is in reality paid back to them. This is a situation where the loans or grants given by AID are retained in the U.S. and after a few years are repaid by us. In effect, it is the Filipino taxpayer who "aids" the Americans and not the other way round. Unbelievable but true.

Moreover, so-called consultants are hired from American universities and research agencies are stationed in Manila and are quickly spoiled with free housing, free transportation, hired help and other prerequisites. More often than not, there are Filipinos with better expertise than they. But, of course, the money remains in American hands.

Why we have tolerated it so long is beyond explaining. Perhaps, the new government should review U.S. aid operations in the Philippines. For once, let us determine whether we should accept aid which in reality ends up assisting the donor's own citizens.

No real aid, no self-respect. We should correct this soon.

Warning Issued on U.S. 'Doublespeak'

HK131013 Manila PHILIPPINE DAILY INQUIRER in English 10 May 86 p 4

[Editorial: "Forked-Tongue"]

[Text] The North American Indians knew, by tragic experience, something many of us apparently still don't about the people who robbed them of their ancestral lands. Whenever the government of the "white man"--referring to the waves of European immigrants who eventually grabbed every piece of real estate in that huge continent and beyond--speaks, it does so often with a "forked-tongue."

We merely have to look back to 88 years of our own history to the time when the American troops who first said they came to help us win our independence from Spain suddenly trained their rifles and cannon on Aguinaldo's insurgents. Overnight the Filipino freedom-fighter was branded a rebellious brigand. From then on, any indio (which, by the way, also means Indian although as the Spanish and American colonialists used it here the term was never capitalized) who was anything less than a little brown brother was no good by the U.S. colonial administration's reckoning.

Fortunately, some of our forebears managed to retain that faith in the destiny of our people and to cling to the ancient vision of independence. But the gallant and heroic efforts of those few Filipinos proved to be ineffective when, in our country's prostration after World War II (a conflict we had no real business getting embroiled in) American economic pressure and political intervention robbed us of our national dignity.

In the aftermath of the devastation wrought by the Marcos regime's rapacity we again find ourselves economically helpless. Once more, U.S. emissaries are flocking to our shores allegedly to ask us how Americans "can support your efforts to resolve outstanding financial problems and to enhance economic development." How much of all that earnest solicitousness is merely doublespeak, we still cannot know at this point.

But if the Americans are really serious in helping us out of our difficulties they could, for starters, apply their tremendous influence on the IMF, the World Bank and, for that matter, our creditor-banks to give us the financial breathing space we so desperately need. We can have their oft-announced military aid later.

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CSO: 4200/1019

PHILIPPINES

COMMENTARY RAPS REAGAN ON BILATERAL RELATIONS

HK071205 Quezon City Radyo Ng Bayan in Tagalog 1050 GMT 7 May 86

[Commentary by (Abe) Cruz]

[Text] My friends, why is it that so many revolutions and hardships are proliferating around the small nations of the world? Because big countries like the United States and Russia sell arms to countries like the Philippines, Nicaragua, and others. They do not care about the stability of these countries so long as they reap large profits for their factories and multinational companies. Therefore, we should think well and look after ourselves and not let people like the Americans set up their factories and promote their products just to make money off us. And we should not patronize their arms sales, which will only result in Filipinos killing their own brothers.

It also seems that the Americans are helping sow trouble among our countrymen. They very cleverly take advantage of people who have no unity, they create dissension among us in many ways, and they continue to express interest in our country. Why is this? Because they are mainly concerned about their military bases here. They are experts at playing games with our officials. They say they will grant us all sorts of aid, they encourage us in our struggle against the NPA, but do they really mean it? [words indistinct]

We have all read stories about what will happen if the Russians and the Americans [words indistinct] and what will happen here since the bases will be targets in a war. This is why we should have a continuing dialogue among the government, the military, the civilians, and [words indistinct]. We should learn a lesson from Vietnam and know that our political problems cannot be solved by means of bullets. All of us brothers should discuss our problems and act as we did during our peaceful revolution last 25 February. That was something the whole world admired and is something of which we are proud. [words indistinct]

Now, as to the subject of the passport for Marcos. This man Reagan has asked our government to give Marcos a passport so he can leave the United States and settle in another country. So now the Americans are giving us orders. We should let them know that we will not take orders from any

country because we are a free and sovereign nation. Just because Marcos is a Filipino [words indistinct]. So let us not listen to Reagan trying to give us orders, because we know very well that these two men are close friends.

Let us never forget that it was the Americans who supported Marcos and who encouraged him in his dictatorship. Marcos is now in their hands and this is as it should be because he is their problem. There is no devil if there is no [words indistinct]. That is what we can say on this issue of the passport for Marcos.

Now, as to all that stolen wealth: It is necessary to keep Marcos in the United States because we can go after him through the courts there. In truth, many of our people are issuing lawsuits against Marcos, but so far he has not attended any of the hearings. What does this mean? It is very clear that the hidden wealth stolen by this couple should be returned to the Philippine people.

The newspapers reveal new things each day about how much was stolen from the country. Let us never forget that the reason we are all in such dire straits, why employees have no wages, why there are [words indistinct] is because the nation's wealth has been stolen. During the last election, the government's budget was some unbelievable amount.

If we can ever retrieve this wealth--the \$5 or \$10 billion--it will help our economy greatly. Can we do this at the earliest possible time? If Marcos leaves the United States, if he is given a passport, this will mean it will be harder for us to get back all that wealth. This is why it is important that Marcos stays in the United States. [words indistinct]

Let us ask ourselves: Why is it that Ninoy Aquino, when he was alive, was not asked to leave the United States? But now we have Reagan asking for a passport for Marcos so he can return to our country. Why is Reagan doing this? What is he afraid of? Are the stories true that Marcos gave large contributions to Reagan's election campaign and that Marcos gave many other gifts to Reagan? Those stories have been reported not just here in the Philippines but also in the United States. Obviously, this is why Reagan is being so helpful to his good friend Marcos--because the stories are true. Why is it Reagan is still close to Marcos when he knows that Filipinos have booted Marcos out? Why does Reagan still love an enemy of the Filipinos, that devil who created so much hardship for us?

Is this how Reagan shows he is a friend of the Philippines? Is he doing all this because he is being blackmailed by Marcos? If this is so, we know why the American President is doing a favor for Marcos. These, my friends, are legitimate questions we should ask Reagan.

If all those stories are true, Reagan is not thinking of the interests of the Filipinos but only of his own friend and himself. As we know, soon after the election Reagan said a lot of things covering up for Marcos'

misdeeds. This is why, my friends, we should study all these things and look well into the position of these Americans. We should look out for our own best interests and do what should be done and not sacrifice our own interests. The interests of the Americans and our own interests can never be the same. The Americans keep saying that democracy should flourish here, but we know all that is just talk and they do not mean it. What they have been doing is simply to promote their own commercial interests and protect their bases--they did that during Marcos' time and they are continuing to do that now. We should realize all this and not let ourselves be fooled. We Filipinos should help ourselves, because these big countries are the ones who encourage communism by their arms sales, their business practices, and [words indistinct].

We should protect our government because [words indistinct] country and we should never kneel to any other country.

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CSO: 4211/48

PHILIPPINES

GULLAS URGES STUDENTS TO 'EXPOSE EXCESSES' OF NEW REGIME

Cebu City VISAYAN HERALD in English 31 Mar 86 pp 1, 9

[Text]

Former Cebu Gov. Eduardo R. Gullas today challenged college graduates to play the active role of fiscalizers and catalysts of change and urged them to expose the excesses of the present government and help push the reforms in society.

Speaking on the theme, "The Role of Graduates in Today's Society," Gullas stressed the need for strong but credible fiscalizers following the abolition of check and balance in government after the declaration of a revolutionary government by President Corazon C. Aquino.

Gullas delivered the commencement address at the graduation rites of the Divine Word College in Tagbilaran City this morning.

"As graduates, people now look up to you and listen to your opinions on issues of public interest and it is, therefore, incumbent upon you now to bring to the attention of the people the ills in society and the abuses in government for immediate remedy by the national leadership," he said.

"As graduates, you can also be effective catalysts and agents of change in response to the sweeping clamor for reforms in society," he added.

Gullas prodded the graduates to take the lead in the crusade for moral regeneration and good government in the aftermath of the Feb. 25 people power revolution.

He warned of some unmistakable signs of backsliding to the discredited practices of the past citing the appointment of people with dubious background to sensitive positions in government.

According to Gullas, while the Filipinos have expressed their trust in the sincerity of President Aquino which was sadly lacking in the past administration, this faith is slowly being eroded by the very same people entrusted by Mrs. Aquino to redeem the image and credibility of government.

On the other hand, he blamed the present state of confusion and uncertainty in the country following the wholesale replacements of local officials on the minions of Mrs. Aquino who have taken undue advantage of her inexperience to promote their own selfish designs and grab power at all costs.

He said the present atmosphere does not augur well for the im-

mediately attainment of national reconciliation and unity and "certainly, not conducive to the promotion of an ideal peace and order condition nationwide."

Gullas also warned the graduates on the cut-throat competition for job employments in the wake of reports that some 200,000 government employees stand to lose their jobs by the end of this month.

"Ironically," he said, "the people who are now dismissing employees left and right were the very same people who promised more jobs before the electorate barely two months ago."

In the same speech, Gullas:

- \* Called for the holding of early local elections to speed up the country's return to constitutional government;

- \* Assailed the declaration by President Aquino of a revolutionary government and the abolition of the Batasan saying such moves were ill-advised because it raised the specter of another dictatorship reminiscent of the Marcos era where executive, legislative and judicial powers were

concentrated in the hands of one man;

- \* Said the sweeping statement of Mrs. Aquino that the Bataan is a cancer that must be cut out was not only an affront to the constituents who elected the members of parliament (MPs) to a six-year term but was also unjust and unfair to MPs of known probity and independence of mind like former Supreme Court associate justice Cecilia Muñoz-Palma, Orlando Mercado, Homobono Adaza, Francisco Sumulong and others identified with the Aquino administration;

- \* Declared that no group or sector can claim monopoly of wisdom and love of country as he criticized the statement of Executive Secretary Joker Arroyo indicating that no KBL will become a member of the Constitutional Commission tasked to frame a new charter.

Meanwhile, Gullas rallied the graduates behind the gargantuan task of rebuilding the nation to propel economic recovery and to achieve government reforms for the common good in the best interests of the entire country.

(BRY)

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CSO: 4200/991

PHILIPPINES

LAWYERS COMPARE REVOLUTIONARY, MARTIAL LAW GOVERNMENT

Cebu City SUN STAR DAILY in English 31 Mar 86 pp 15, 17

[Article by Thea C. Rinen]

[Text]

"Dictatorial powers" are features common to both a revolutionary government and a government under martial law, legal luminaries said yesterday.

But while a revolutionary government is one that comes into power without reference to an existing law or constitution through force of arms or other extra legal or constitutional means, a government under martial law has reference to a constitution, they added.

A revolutionary government becomes legal when it is successful, they said.

The government of President Aquino has been described to be "revolutionary in origin, democratic in essence and transitory in character" while the government of deposed President Marcos was described to be still under the influence of martial law.

Former Provincial Fiscal and Regional State Prosecutor Loreto Durano said a revolutionary government, like what is here in the country, came into power because the people successfully "revolted" against the then existing Marcos government.

**INHERENT**

But in a constitutional government, he said, the head of state

has the inherent power to declare martial law to cope with rebellion, uprising or any other matter related to national security.

Former Concon delegate and Assemblyman Hilario Davide Jr. said a "revolutionary government is formed by the people in defiance of a constitution that existed at the time of the formation."

In both cases, Durano said, the power of the chief executive "is almost without limitation, absolutely autocratic even to the extent of committing human rights violations."

But lawyer Danilo Deen, Integrated Bar of the Philippines (IBP) - Cebu city chapter president, preferred to use the term "limitless powers" rather than dictatorial powers.

Noted lawyer Bernardito Florido, chairman of the Free Legal Assistance Volunteers Association (Free LAVA) expressed a similar opinion.

With specific reference to the Philippine situation, "a revolutionary government is not distinguishable from the martial law regime under Proclamation 1081 issued by deposed President Marcos in 1972... the powers of President Aquino under Proclamation 3 are just as unquestionable

and absolute as the powers of Marcos under martial law."

**REHASH**

He added that paragraph 3 of Proclamation 3 is only a rehash of Proclamation 1081 except that the former is carefully worded and does not use the term "revolutionary."

Davide, for his part, said the current dictatorship is "imposed by the people, derived from the authority of the people so that the revolutionary President has to exercise this."

He said that under the previous regime, Marcos himself imposed dictatorship against his will of the people.

Nevertheless, Durano said, the only restriction to the absolute exercise of powers is the "conscience of the President."

But while Aquino's Freedom Constitution has the full trust and confidence of the people, Marcos' Constitution did not enjoy the same, they said.

Although the Aquino government is basically a revolutionary government, Florido and Davide said the President's powers are under a time frame which will pave the way for the new mechanism that will do away with the oppressive apparatus of the old regime. **PCR**

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CSO: 4200/991

PHILIPPINES

COLUMNIST ACCUSES GOVERNMENT OF REPEATING MARCOS MISTAKES

HK131240 Quezon City BUSINESS DAY in English 12 May 86 p 4

["My Cup of Tea" column by Ninez Cacho-Olivares: "National Interests Again?"]

[Text] The Aquino government, it seems to me, has been committing almost the same mistakes the Marcos government had committed, mistakes which greatly contributed to Mr Marcos' downfall.

For one, the new government committed the mistake of canceling Rafael Recto's passport. To my mind, this action was totally unnecessary, only giving Mr Recto the importance he does not deserve. If the government wanted to put a stop to Mr Recto's liaison with the deposed Mr Marcos, canceling his passport was certainly not the way to do it. Mr Recto, as far as I am concerned, can be a pain in the rear, but why cancel his passport? If the government wants to stop Mr Recto from going to Hawaii to meet with Mr Marcos, it can enforce the hold order list that now includes his name. Even with a valid passport, Mr Recto would be unable to leave the country, right?

Personally, I do not believe that any government, especially one that professes to espouse democracy and due process, should place anyone on the hold order list for a long period of time or stop anyone from associating with the deposed strongman unless there are charges filed against that person.

Mr Recto, who would have been relegated to political oblivion, has suddenly come to life. He claims to be the lawyer of Mr Marcos. Mr Marcos could have done better in his choice, but that is his business really.

But why did the Aquino government have to cancel his passport? For that matter, why did the Aquino government earlier allow him to travel freely to Hawaii, only to stop him from doing so now? If he is suspected of being a Marcos courier and an accomplice to Mr Marcos in destabilizing the Aquino government, and if the government has enough evidence on hand, then it would have been wiser for the Aquino government to slap Mr Recto with such charges and let the courts of law take over.

There are other mistakes as well. Mrs Aquino, if my memory serves me right, bound herself to the Bill of Rights almost immediately after she was proclaimed President. But recently, newspaper reports stated that under a new executive order, the Presidential Commission on Good Government was given more powers. One such power, the reports said, gives the commission the right to compel a person to testify and produce documents, even if these tend to incriminate him. That person compelled to testify however, cannot be prosecuted if he invokes his right against self-incrimination. The reports added that if a witness invokes his right against self-incrimination, "he must still testify or produce the documents required by the Sandiganbayan." It was also reported that a person who is compelled to testify and incriminates himself "may still be prosecuted criminally...if he perjures or submits false testimony." I don't have a legal background, and I cannot understand why the state should force a citizen to incriminate himself if he refuses to do so and even compel him to produce documents. Why should the state be all powerful?

President Aquino, in granting the commission more powers, said that the "overriding considerations of national interests and survival" require that the commission achieve its task "efficiently and effectively."

Filipinos have heard enough of "national interests and survival." We believed this government line once and handed over our rights and liberties, without a whimper, to a strongman who constantly talked of national interests and survival, only to discover, 14 years later, that these were really nothing more than his own, his family's and his cronies' interests.

It is when the liberties of a people are truly safeguarded and upheld that the national interest is better served. It is when rights are upheld that democracy, no matter how young and fledgling, can be strengthened and can even survive.

The full restoration of our individual rights and liberties were what we, the Filipinos, fought for during the four-day revolution. We did not risk life and limb for a new government's version of national security and interests. We fought for survival, yes. But does survival mean giving the state more and more powers again? Does survival mean national and state interests over and above individual rights and freedoms?

As it is, the commission already has been vested with too much power. Instead of giving it more, what Mrs Aquino should create are more checks and safeguards, because too much power leads to abuse. And it is pure naivete to think that such powers will not be abused, simply because of a change of faces and "purification of intentions."

One can understand the need to flush out the hidden wealth accumulated through the years by Mr Marcos and his cronies. But these should be done with the proper checks and without infringing on the rights of citizens. Certain rules and norms must be followed. And this the commission should know. For instance, abroad, the commission knows that it cannot conduct its affairs in the same manner it conducts its business here. It knows that it must follow the rules of a foreign country and abide by international laws.

Being hampered or shackled by these, will the commission be able to achieve its task of getting back the hidden wealth abroad "efficiently and effectively?" Mrs Aquino's executive order means nothing in foreign countries. How then will the "overriding considerations of national interests and survival" be served then by the commission in those countries where presumably most of the hidden fortunes of the Marcoses are stashed?

When the Aquino government came to power, it spoke of embracing the rule of law and due process. These are tedious democratic processes, and in many instances, there are no guarantees that the guilty will be punished. But by adhering to due process, the democratic system is given its best boost.

The Aquino government can certainly strengthen itself more if it thinks less of these "overriding considerations of national security and survival" and thinks more of creating a system of checks and balances. This early, the powers of government need to be checked. The mistakes of the past regime should not be repeated.

National security and survival? We can survive better with the proper checks and balances, without the government infringing on the inalienable rights of citizens.

And we can all do with less talk about "national interests and survival."

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CSO: 4200/1019

JPRS-SEA-86-090  
28 May 1986

PHILIPPINES

OFFICIAL SAYS NO TRAVEL BAN PLACED AGAINST MARCOS SUPPORTERS

BK031359 Manila PNA in English 1320 GMT 3 May 86

[Text] Manila, May 3 (PNA)--The government Friday said it has no policy barring people identified with the deposed Marcos government from leaving the Philippines.

Executive Secretary Joker Arroyo said anyone is free to travel outside the country, except those facing criminal charges or included in the "hold" list.

Arroyo's statement followed rumors that the government has imposed a travel ban on people identified with the past administration.

The commission on immigration and deportation, however, is known to have a "hold" list of people restricted from leaving the country, particularly those facing criminal charges in court.

Meanwhile, presidential spokesman Rene Saguisay said the state-run Philippines National Bank [PNB] has reduced the travel privileges of officials in line with the Aquino government's austerity program.

The PNB has required board directors and senior officers with the rank of executive vice president to travel on business class instead of first class.

Others will take economy class.

/6662  
CSO: 4200/1019

PHILIPPINES

COLONEL HONASAN SAYS REFORMS TO TAKE TIME

Cebu City SUN STAR DAILY in English 23 Mar 86 pp 6, 19

[Text]

FORT DEL PILAR,  
BAGUIO CITY, March 22.  
Col. Gregorio "Gringo"  
Honasan today said the on-  
going reorganization of the  
new Armed Forces of the  
Philippines (NAFP) may take  
five to ten years to com-  
plete.

Speaking to newsmen  
while being literally swarmed  
by hundreds of autograph  
seekers, Honasan said time is  
needed to "eradicate the vesti-  
ges of Marcos and Ver in the  
military in a span of 20  
years."

He said the reform move-  
ment which used to operate  
clandestinely before the revo-  
lution is now meeting openly

with field commanders to  
effect speedier changes in the  
military.

Honasan, however, said  
the movement which paved  
the way for the creation of  
the new AFP will cease to  
exist "since the actual  
reforms are attained."

The interview was inter-  
rupted by mostly women ad-  
mirers who wanted to pose  
with or kiss a hero popula-  
rized by the revolution.

Honasan also described the  
tone of today's graduation as  
one of reconciliation while  
that of deposed President  
Marcos was of "divisiveness  
and deception." (PNA)

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CSO: 4200/991

PHILIPPINES

MILITARY REFORMISTS ALLEGE GOVERNMENT INFILTRATION BY CPP

Cebu City SUN STAR DAILY in English 30 Mar 86 p 23

[Text]

MANILA, March 29

Military reformists today accused the Communists of infiltrating government and private offices and discrediting the government of President Corazon Aquino.

In a press statement, the Reformed AFP Movement (RAM) refused, however, to unmask the Communist infiltrators.

But it said the Communist infiltration has been the subject of its "intensive analysis" over the past weeks.

RAM played a key role in last month's civilian-backed military revolt that toppled President Marcos and installed his successor by Aquino.

In its press statement, RAM — composed mostly of graduates of the Philippine Military Academy (PMA) — said the Communist Party of the Philippines and its fighting arm, the New People's Army (NPA), had been engaged in a relentless propaganda of deception to discredit Defense Minister Juan Ponce Enrile and Armed Forces Chief Gen. Fidel V. Ramos.

"The Communists would do anything to destroy the integrity and leadership of Enrile and Ramos who led last month's almost bloodless revolution," it said.

"LIES"

The CPP/NPA and their legal front, the National Democratic Front, had been engaged in disinformation, spreading lies to poison the minds of the people, RAM pointed out.

It also warned the people to be wary of the black propaganda waged by the CPP/NPA.

The RAM recalled that during the Marcos regime, the Communists launched an intensive propaganda campaign that Marcos should be deposed, saying he was a dictator and his government was corrupt.

However, when Marcos fled the country, the CPP/NPA suddenly became silent since there was no more issue against the new government of President Aquino. Lately, the NPA rebels had stepped up their violence in the countryside.

A total of 357 people had been killed since Feb. 21.

Most of those killed were soldiers, policemen, militiamen and civilians. The NPA only sustained 88 killings.

Another ploy of the NPA is to project the strength of the so-called Marcos Loyalists Forces.

"This is only a game plan of the CPP/NPA to divert the attention of the AFP in fighting the NPA in the countryside," RAM added. (PNA)

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PHILIPPINES

## ENRILE AIDE'S ROLE IN AIR FORCE DEFECTION TOLD

Cebu City SUN STAR DAILY in English 31 Mar 86 pp 15, 17

[Text]

MANILA, March 30

Unknown to many, an Air Force senior military aide to Defense Minister Juan Ponce Enrile played a key role in "taming and immobilizing" the vaunted air power of the Philippine Air Force (PAF) during the four-day revolution last February.

Lt. Col. Tito Legaspi played a James Bond role of cloak and dagger style, contacting clandestinely fellow Air Force officers days before the uprising, to convince them to defy any unlawful order emanating from higher authorities.

Legaspi's perfect handling of the delicate liaison job was a major contributing factor in the historic revolt. This, coupled with the apparent poor intelligence job of forces loyal to former President Marcos, "crippled" the Air Force capability to launch its devastating firepower.

The undetected defection of the entire 5th Fighter Wing and the 20th Air Commando Squadron to the Enrile-Ramos faction was the most crucial and deciding factor of the almost bloodless civilian-backed military revolt.

Even PAF headquarters then headed by Maj. Gen. Vicente M. Piccio Jr. was unaware of the maneuver right inside his command post at Villamor Air Base.

Little did he know that his 15th Strike Wing commander Col. Antonio Sotelo, and 12 Sikorsky pilots composing the 20th Air Commando Squadron had already decided to defect to the Enrile-Ramos faction.

ALL AIR

At the point in time, observers said, the Air Force was only

all "Air" without a "force" since its vaunted air superiority had been checked through defection to the other side.

Maj. Charles Hotchkiss, commander of the 20th Air Command Squadron, said he and 11 other Sikorsky pilots had made up their mind to defy any unlawful orders to attack Camp Aguinaldo and Camp Crame where Defense Minister Juan Ponce Enrile and then Lt. Gen. Fidel V. Ramos had established their stronghold to fight President Marcos, to the death if necessary.

Later, Enrile and Ramos consolidated their forces and made Camp Crame their main base.

Hotchkiss said he refused an offer by PAF authorities to have Marcos loyal troops ringed around his squadron's perimeter base at Villamor Air Base for fear that their secret plan to join the Enrile-Ramos camp would be discovered.

Luckily, PAF headquarters did not insist on posting security troops at the hangar.

"PAF authorities believed me when I told them that the troops were not needed since everything was all right, and we can take care of ourselves," Hotchkiss said.

But PAF headquarters had no inkling at all why Hotchkiss turned down the offer for a special security force to secure Sikorsky helicopters and other aircraft at the base from possible sabotage.

It proved to be an intelligence blunder on the part of PAF authorities who were always overconfident that the 20th Air Commando Squadron under Maj.

Hotchkiss was on their side.

It was already too late when they discovered that Col. Sotelo, Maj. Hotchkiss and 11 other Sikorsky pilots had defected.

Hotchkiss was the leader of a group of three Sikorsky helicopters that raided Villamor Air Base on March 24 destroying five UH-1H "Huey" helicopters. Hotchkiss said the Huey choppers were being raided for attack on Camp Crame. He insisted that it was a preemptive attack and that none was hurt during the strafing.

Hotchkiss said that before he fled to the side of Enrile and Ramos, he was ordered to conduct a photo reconnaissance on Camp Aguinaldo and Camp Crame.

This was necessary so that their plan to defect would not be jeopardized. And secondly the directive was harmless.

Hotchkiss emphasized that any unlawful order to attack at Camp Crame or Camp Aguinaldo would be ignored by him.

When he and the other pilots, including Col. Sotelo, decided to defect, there was an order to fire rockets at Camp Crame. To document the firing, PAF authorities sent Col. Pablo Gonzales, PAF information officer, to accompany the flying sortie. But Maj. Hotchkiss objected that no one except his crew would go.

As expected, Hotchkiss and the other pilots did not fire any rocket. Instead, they landed at Camp Crame ground to join the Enrile-Ramos Camp amid rousing welcome by thousands of people's power converging along Edsa that paved the way for the downfall of Marcos' 20-year iron-hand rule.

(PNA)

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PHILIPPINES

COLUMNIST ON ENRILE'S REMARKS ON MILITARY ABUSES PROBE

HK121414 Quezon City ANG PAHAYAGANG MALAYA in English 7 May 86 p 4

["Publisher's Notes" column by Jose G. Burgos, Jr: "Enrile Has a Point"]

[Excerpt] Defense Minister Juan Ponce Enrile has a valid point in insisting that he will resist an "inquisition or arbitrary investigation based on rumors" of military authorities alleged to have been involved in human rights violations during the stinking Marcos regime.

Mr Enrile, a lawyer that he is, is simply echoing the plea of other libertarians who feel that due process of law, not vendetta, is primordial in the Aquino administration's efforts toward national reconciliation.

The stand of the defense chief, however, should not deviate from the clamor of the victims of oppression and repression for the present government to probe deep into the numerous cases of "salvagings," "disappearances," tortures, etc. that blotted the image of the military during the ignominious years of martial law which, incidentally, Messrs Enrile and Fidel Ramos were very much a part of.

It is nevertheless certain that there are enough evidence from where the Diokno Commission could anchor its probe and that not a few survivors of military atrocities are willing to step forward to present their respective cases against the suspects.

Once the Human Rights Commission starts its task in earnest, fresh wounds will eventually be reopened and recrimination will not be avoided. But in the long run, the result would mean a better understanding of the evils of a fascist rule and the military establishment hopefully would then be purged of its undesirables.

The investigations should clear once and for all the clouds of suspicion that have been hovering over the heads of many military officers and men. And certainly this would pave the way for the full restoration of the public's trust and faith in the men in uniform.

Meanwhile, let the chips fall where they may and let justice take its full course.

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CSO: 4200/1019

PHILIPPINES

MILITARY MONITORING GROUPS ACTING AS COMMUNIST FRONTS

HK100634 Manila MANILA BULLETIN in English 9 May 86 pp 1, 13

[Article by Jose de Vera]

[Text] The Armed Forces has been monitoring movements of some labor and "cause-oriented" groups reportedly serving as communist fronts in destabilizing the government.

Military intelligence sources said yesterday that where before the Communist Party of the Philippines (CPP) and its military arm, the New People's Army (NPA), followed the Mao Zedong line in agitating peasants to revolt, this time the CPP-NPA has also been agitating workers in urban centers to paralyze industrial production through labor strikes.

Under the Mao Zedong line, the communists seek to control the countryside and leave the urban center undisturbed, believing that the urban area would eventually capitulate if its supplies from the countryside are cut off.

Hand in hand with the control of the countryside, the sources said, the communists are now using militant labor unions and other groups in urban centers to aggravate the economic situation with paralyzing walkouts.

Among the labor groups reportedly being closely watched by members of the intelligence community are the Kilusang Mayo Uno (KMU) [1 May Movement] and the Bagong Alyansa ng Bayan (Bayan) [New People's Alliance].

In many instances, military sources said, the CPP-NPA strategists inspired the holding of rallies and demonstrations at "targetted" places, in which the front organizations operated under such themes as complete restoration of democracy and the present government's policy of national reconciliation and unity.

The recent NPA raid on Pagsanjan, Laguna, and the ambushes of troops in Kalinga-Apayao using the old Chico Dam issue as renewed cause, were cited as examples of CPP-NPA-instigated incidents preceded by rallies and demonstrations.

In Northern Samar, the same sources said, CPP-NPA political fronts are harping on the government's policy of reconciliation to keep the military in garrison, adhering to a policy of "maximum tolerance" and leaving the peasants open to communist blandishments and indoctrination or defenseless against the NPA.

In the fertile valley of Catubig town, Northern Samar, considered the rice bowl of not only the Samar Provinces but the entire Eastern Visayas, the farmers are continuously harassed and forced to leave their farms with the NPAs doing the harvesting of their palay.

The farmers are given only a few cavans of their harvest with the main bulk being stockpiled by the NPAs in their "production bases," according to these sources.

In Negros and Panay islands in Western Visayas, the sources said the National Democratic Front (NDF), a group tagged as a political arm of the CPP, has been reported as activating some labor unions and cause-oriented groups to undertake activities designed to destabilize the government.

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CSO: 4200/1019

PHILIPPINES

FORMER NEGROS NPA MAN CITES KILLINGS

Cebu City SUN STAR DAILY in English 31 Mar 86 pp 15, 17

[Text]

The communist-led New People's Army (NPA) was accused as having resorted to summary killings and other atrocities in the hinterlands of Canlaon city and other localities in Negros, Sun\* Star Daily gathered yesterday.

According to Matheau Betolindos alias Kumander Mat or Ka Nick, 37, married, of La Castellana, Negros Occidental, such killings were done to "terrorize" the villagers into submission.

Betolindos, who the military said is a member of the NPA organizing committee, left the insurgent army eight months ago with a big number of followers.

In a videotape interview before the surrender rites, he narrated how he joined the rebel army because of the abuses perpetrated allegedly by the military.

At first, Betolindos claimed, the NPA respected human rights but later on he discovered that they were even more guilty of summary killings.

**KILLED**

He also claimed that a farmer or peasant is killed if he fails to pay his taxes to the rebel movement after three warnings.

These taxes, he said, are in the form of money, food, stuff, clothes, or medicine which the rebel army collects from the areas

where they operate.

Aside from this, Betolindos added, people are forced to attend weekly meetings conducted by the local party committees. Failure to attend these meetings will mean summary execution, he said.

The former rebel leader said, these practices made him and several others think twice and later led him to decide to leave the movement.

Betolindos said they operated as an independent rebel force after severing their links with the NPA before finally returning to the folds of the law on Monday morning.

**KADRE**

Betolindos joined Beatriz Justiniani alias Ka Inday or Kumander Beth of Canlaon city in forming the Kalihokan Alang sa Demokrasya ug Reporma (KADRE), an aggrupation of surrenderers.

Ka Inday went as far as second year college taking up midwifery at St. Joseph College before joining the underground movement.

Both rebel leaders denounced some military units and other local government officials for abuse and blamed them for the insurgency problem. LSE III

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PHILIPPINES

MALAYA EDITORIAL LAUDS AQUINO'S CALL FOR PEACE WITH NPA

HK100840 Quezon City ANG PAHAYAGANG MALAYA in English 1 May 86 p 4

[Editorial: "The Element of Doubt"]

[Text] Against the hawks in the government who would strongly endorse a mailed fist against insurgency, President Corazon Aquino is proving she has a mind of her own with her continuous appeal for peace talks with the rebels. Although she has not totally discounted the use of force against them, the President would accommodate the rebels by giving their motives the benefit of the doubt, despite their renewed actions against the government in a series of armed confrontations that resulted in many deaths on the side of the military. "But when I am convinced that these people are just out to fight the government, then we will be obliged to use force on them," she was quoted to have said, simultaneously reiterating her desire for a dialog with top communist leaders towards the attainment of a ceasefire.

There is no doubt in the minds of many that the lady president is adhering to her earlier pronounced policy of magnanimity in victory. In her present position of strength, she would exercise patience in dealing with the insurgency problem, despite the importunings from the more hawkish advisers who perceive her stance as weakness." I want to exhaust all efforts before we resort to using force," she said as she continued to defend her stand vis-a-vis the rebels.

The question most citizens are asking now, however, is why the sudden upsurge in insurgency action? Was the violence in Cagayan meant to embarrass the minister of national defense? Was the sortie of the Moro National Liberation Front upon two barangay in Sulu just one of these things that come naturally? And why have the rebels refused to name their counterparts to the emissaries of the government who were supposed to spearhead preliminary talks leading to a dialogue between the President and the insurgent leaders and, eventually, to what has been termed as an "honorable peace?"

The President seems convinced that despite all these skirmishes between the military and the rebels, the path that leads toward the noble goal of ceasefire is still very clear and smooth. In the light of the recent acts of violence

between the protagonists, many would not give a better than even chance to the government's call for peace. But President Aquino seems not to be fazed by the current developments. Let us hope for her sake and the country, that patience will finally earn the fruits of its just rewards, perhaps through a complete change of heart on the part of the insurgents.

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CSO: 4200/1019

PHILIPPINES

FORMER REBEL LEADER OFFERS HELP IN TRUCE TALKS

HK110458 Hong Kong AFP in English 0453 GMT 11 May 86

[Text] Manila, May 11 (AFP)--The former head of the communist-led National Democratic Front (NDF) has offered to take part in truce negotiations between the government and communist guerrillas, a newspaper reported here Sunday.

Former NDF Chairman Horacio Morales told the PHILIPPINE INQUIRER in an interview that he hoped peace talks could start soon and volunteered to help "in any way I can" because he thought the negotiations had not moved forward

The underground coalition groups are the banned Communist Party of The Philippines (CPP) and its 16,000-strong New People's Army (NPA), with whose leaders President Corazon Aquino is seeking to negotiate a political solution to the 17-year insurgency.

The NEWS HERALD newspaper meanwhile reported here Sunday that NPA rebels were holding hostage at least 200 people in camps in the southern province of Misamis Oriental and that they had killed 18 such hostages since February.

The NEWS HERALD report, which could not be immediately confirmed by military spokesmen here, quoted a former hostage who escaped as saying the rebels believed their captives were military informers.

Mr Morales said Mrs Aquino had made the right move when she said last month that she would soon call for a limited ceasefire and hold talks only with top communist leaders.

But he observed that "no indication of progress is evident and it seems no initial contacts were made," referring to a secret emissary appointed by the chief executive to hold initial talks with the insurgents.

Mrs Aquino last week confirmed that "we have not heard from the top leadership." She set a six-month deadline for the start of the negotiations, but did not say what she would do if the ultimatum was not met.

The Presidential Palace has said the communists have furnished the government with a list of intermediaries, but Mrs Aquino rejected them saying they were only "honest brokers" and not actual communist leaders.

Mr Morales, who was jailed in 1982 and was among hundreds of political prisoners ordered freed by Mrs Aquino when she came to power in February, echoed the NDF's oft-stated suggestion that combat troops should stop staging anti-insurgent attacks.

The armed forces should also stop "red-baiting" leftwing organizations, he said, adding: "If the legal organizations are barred from operating in the open, how can the armed groups be convinced to surface?"

Meanwhile, THE NEWS HERALD said two factions of the Moro National Liberation Front (MNLF) had met in Jeddah, Saudi Arabia last week under the aegis of the Islamic Conference Organization to form a united panel for talks with the Manila government.

The factions, one fighting for a new state for the Moslem minority in the southern Philippines and another fundamentalist group seeking autonomy in the south, are asking the government to implement a 1976 agreement granting autonomy to 13 southern provinces, the daily said, quoting a leader of the fundamentalists.

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CSO: 4200/1019

PHILIPPINES

NPA DETAINS 9 U.S. SERVICEMEN IN CORDILLERA

HK131020 Quezon City WE FORUM in English 6-12 May 86 pp 3, 15

[Article by Nora Gamolo]

[Text] March 16 of this year, six U.S. Army and three U.S. Air Force soldiers in combat uniform were intercepted by New People's Army units in Sesac-an, Balbalan. The Americans were taken to another barrio, where they were interrogated by Ka [short for Kasama--comrade] Yokan, a guerrilla front commander of the Kalinga-Apayao Operational Command.

The NPA detained the nine servicemen and their four Filipino guides for a night. They identified themselves as Larry L. McAllister, Keith K. Fisher, Michael L. Perkins, Douglas J. Tucker, David E. Kelly Jr., Roy K. Torix, Elmer L. Buard, Jay S. Warner and Kevin E. Fitzgerald.

Six of the servicemen, ironically enough, said they were based in Hickam Air Base in Hawaii where the Marcoses spent their first weeks in American territory after their flight into exile. McAllister, Fitzgerald and Fisher, said they are based in Clark Air Base in Angeles, Pampanga. Four of them, Fisher, Tucker, Buard and Fitzgerald claimed to be World War II bomb experts, while the rest identified themselves as experts in gathering of bones, meaning, the remains of American servicemen.

The increasing presence of American military personnel in the rebel-wracked Cordillera region has sent alarm signals to the natives as well as the communist insurgents who view the developments as "blatant military intervention in Philippine affairs."

The Cordillera natives, who have grown accustomed to the foreigners' presence, have their own individual accounts of chance encounters.

The NPA command which detained them said the American soldiers claimed to be searching for a crash site of some American World War II fighter planes. Ka Yokan, who questioned the soldiers, told WE FORUM that he gave a "percentage of correctness" to the servicemen's story. Originally assigned to search for the skeletal remains of missing WWII servicemen in Aurora Province, they wound up in Kalinga-Apayao when an antique dealer submitted airplane parts to a Clark Air Base employee in December last year.

According to Ka Yokan, the servicemen had a map marking their route in Aurora Province. In Kalinga, the old folk told the group that the bones of World War II servicemen were long given to an American chaplain with the rank of major in the U.S. Air Force who turned it in to the U.S. Air Force.

"Muntik na silang mabira, kasi mga naka-uniporme," [They were almost shot at because they were in uniform.] Ka Yokan recalled, telling his audience of mediamen that they found no guns or weapons in their persons and inside their two well-equipped Land Rovers.

Their detention notwithstanding the American servicemen were treated well. "We decided to release them that same night after our investigation. Nagpatay pa kami ng pato para sa kanila," [We even killed a duck to serve them.] the guerrilla commander said.

Oddly, the servicemen said they were unaware of the revolutionary movement sa Philipinas. "Akala daw nila, ang mga Filipino ay kaibigan nila." [They thought Filipinos were their friends.]

While the NPA guerrillas did not confiscate anything, they did ask for donations. "The comrades in the logistics department asked for some of their things," said Ka Yokan. It was quite a collection they got: military packs, seven canteens, six medical kits, and other assorted military equipment like tents and sleeping bags. One of the first aid kits had the following markings: First Aid/Surival Kit, Inspection Certificate, Inspection Activity FM 5251, USAF Hospital, APO San Francisco 9627, dated Jan. 24, 1986. The case of one of the medical kits has serial number 6545-01-094-6136. The Land Rovers were not confiscated, much to the disbelief of the local journalists.

In exchange, the servicemen got some tokens from the NPA, such as native necklaces embossed with the hammer and sickle and AK-47. One of the servicemen, Kelly, the leader of the expedition, even promised to come back to the Philippines as an ordinary tourist, "with my wife after my retirement."

While traditional hospitality was accorded to the unexpected visitors, the NPA Operational Command regards the increasing presence of American soldiers as "outright military intervention in Philippine affairs."

To be sure, the March 16 incident was not the first time Americans were sighted in the Cordilleras. A foreign journalist told WE FORUM that he saw about two truckloads of U.S. Marines in Tuguegarao. The U.S. Marines were reportedly on their way to Lal-lo, Cagayan.

In 1983, two Americans on a fact-finding mission, Col Richard Woodhull, of the U.S. Embassy and Maj James K. Wright of Clark Air Base, interviewed evacuees from Tubo, Abra housed at Bangaan High School in Sagada, Bontoc. The two officers promised the refugees they would report their findings to the U.S. Embassy to clarify conflicting media reports about the stepped-up

counter-insurgency campaign in Abra. The two officers gave the refugees, through Tubo Sangguniang Bayan [Tubo Town board] member Eugenio Balingsat, several sacks of rice, canned goods and assorted items. They were accompanied by Sagada Rector Rev Paul Sagayo.

In another incident, a helicopter allegedly coming from Clark Air Base and ferrying ammunition and food supplies for AFP [Armed Forces of the Philippines] men on a military mission in Bontoc crashed June 25, 1984. The story is that NPA rebels shot down the helicopter, a claim denied by the RUC [Regional Unified Command]-1 Commander Brig Gen Victorino T. Azada who said the chopper developed mechanical trouble when it was about to land.

At any rate, RUC Information Officer Maj Melvin Concha said another helicopter from Clark Air Base airlifted the wounded soldiers, among them, American military advisers, to the PMA [Philippine Military Academy] hospital and returned to the crash site to make an inventory and inspection of the damaged aircraft. Composite AFP units numbering about 500 men have pitched camp in several areas of Basao and Sagada in Mt Province, with an American military adviser seen arriving with troops. The area has been cordoned for a time while search and destroy operations were underway.

The question is: Has American military presence become part of the new government's official policy to fight insurgency?

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PHILIPPINES

COLUMNIST ON EFFECT OF WESTINGHOUSE LOANS REPUDIATION

HK100854 Quezon City ANG PAHAYAGANG MALAYA in English 5 May 86 p 4

[Column by Renato Constantino: "Opening Pandora's Box"]

[Text] Before the departure of the Ongpin-Fernandez tandem for negotiations with the U.S. the IMF and other creditors, a majority of the members of the cabinet had expressed approval of NEDA [National Economic Development Authority] Director Solita Monsod's proposal to repudiate questionable debts. The minority of two prevailed. Discussions on the issue stopped and everyone awaited the results of the mission of the principal economic managers of the Aquino government.

There is more than meets the eye in Director Monsod's proposed "repudiation of certain loan obligations incurred by the past regime, those obtained by cronies, given government guarantees solely on the basis of political connections and used in buying over-priced machinery and equipment for projects that were not feasible from the very start."

Plain common sense tells us that it is irrational to pay for a fraudulent transaction, especially if one is not a party to the original agreement. The Bataan Nuclear Power Plant is a prime example of such a transaction. Aside from the kickbacks received by Herminio Disini and other Marcos agents, the cost of the project escalated because Westinghouse, obviously with the full knowledge of the Export-Import Bank of the United States and other foreign creditors, jacked up the price of the nuclear plant by more than three times what it would have cost in the world market. Fraud was committed by both the borrowers and the creditors.

This kind of transaction apparently characterized the other white elephants left behind by the Marcos regime, e.g., the idle and underutilized sugar mills, cement plants, mining facilities and a host of industrial and infrastructure projects financed by the American, Japanese and Western European bankers.

If the Monsod proposal had been officially adopted, the foreign debt would probably be reduced by at least one-third of its present gargantuan and

unpayable size, with the country enjoying a much wider breathing space. The \$1-billion mini-Marshall Plan the United States is seducing the Aquino government with in exchange for "free market" policies (read protransnational policies) is peanuts compared to a program of debt repudiation done on a selective basis.

But why did Pres. Aquino fail to come out in support of the proposal of her NEDA minister? Why was the proposal unceremoniously "killed" by the Ongpin-Fernandez tandem?

The only possible answer is that the administration is afraid of antagonizing the IMF-led group of foreign creditors. Ongpin and Fernandez, who are in constant contact with the foreign bankers for new loan agreements, are acutely aware that the latter would never allow such a repudiation, no matter how selective its application may be and no matter how reasonable the arguments of the local economists are.

For foreign creditors, the clearest danger that a repudiation a proceeding poses is that it may open a Pandora's box of deadly secrets on the role of the foreign bankers themselves on how the debt spiral started, how each loan was contracted, the corruption that attended the approval of each loan agreement, etc. In short, the repudiation process will reveal that if the Marcos regime profited from the loans, it was because of the obvious encouragement from the creditors, who, very likely, earned much more from the various transactions since they were in a stronger position to dictate the terms of the debt agreements.

It is thus not surprising that faced with overwhelming proof of the corruption that attended the building of the nuclear power plant, the Exim-Bank of the United States is offering an olive branch by rescheduling its loan for 10 years with a five-year grace period.

It is also not surprising that the foreign creditors, beginning in 1983, have been insisting on a cross-default provision for all the public and private sector loans. A default on one is a default on all; a repudiation of one is a repudiation of all. Such a default-repudiation prospect will be interpreted by the foreign creditors as an act of war, which will invite instant retaliation in the form of an international economic boycott led by the bankers and the creditor countries.

No wonder the President has been wary of the repudiation idea.

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CSO: 4200/1019

PHILIPPINES

GOVERNMENT OPPOSES SALE OF SAN MIGUEL'S HONG KONG BREWERY

HK100506 Hong Kong HONG KONG STANDARD in English 10 May 86 BUSINESS STANDARD  
p 1

[Article by Martin Howell]

[Text] A flaming row between the Philippines Government and San Miguel is hindering the sale of the company's Hong Kong brewery to American beer and food giant Anheuser-Busch.

The Commission on Good Government (CGC), a new department formed by President Aquino's administration, has demanded that the company postpone a stockholders meeting due on Tuesday.

The call has been made by CGC chief Ramon Diaz because of concern in Manila over the use of the Hong Kong subsidiary in a power struggle for control of the country's biggest manufacturing firm.

He said the government would not allow a subsidiary to be used as the lever to buy into a parent company. Mr Diaz did not point to a particular violation of a law but told San Miguel there could be no stockholders meeting until the issue was cleared up.

His statement led to an angry response from the company's board which claims that talks with Anheuser over the sale have been going on for two years.

It also said defiantly that Tuesday's meeting would still go ahead. Reports from Manila in the last two days have shown there is growing opposition to the sale of Hong Kong's San Miguel to the Americans especially from small shareholders.

A memorandum of agreement for the deal in which Anheuser is expected to buy the 70 percent interest of Neptunia, San Miguel's holding company, has apparently already been signed--although there has been no official statement from either party.

The sale is thought to be worth between \$1 billion and \$1.3 billion--money which could then be used in the share battle for the parent company.

There is a chance that the present furor could stop the successful completion of the takeover altogether.

But most analysts feel this is unlikely and predict a continuing delay instead.

At the core of the argument in the republic is the manner in which Hong Kong brewery's present chairman Andres Soriano III is regaining family control of the San Miguel group.

Mr Soriano is said to be planning to use the proceeds from the Anheuser sale to fund his purchase of 33 percent of the Manila corporation.

By using loans from banks and family friends he has been able to make one down payment worth around \$160 million.

The 35 year-old Mr Soriano has to pay the share owners Cocobank the rest by June 21.

Some press reports from Manila suggest that Mr Soriano is making a leveraged buyout of the largest block of shares in the parent company by liquidating the major Hong Kong brewery asset.

It is not known how much of a personal stake he has in the Neptunia subsidiary but it is important to note that he kept control of the local business despite his family's loss of the San Miguel Corp for two years.

The new battle began when President Ferdinand Marcos was deposed in the military backed "people's power" revolt in February.

One of Mr Marcos's leading backers was Eduardo Cojuangco Jr who (?was) the boss of San Miguel after the death of Mr Soriano's father.

With the change of regime Mr Cojuangco fled the Philippines to an unknown destination.

This left a major vacuum in the country's most significant company-- Mr Cojuangco once boasted that he had employees in every municipality, many of whom were pressured to vote for Marcos.

The San Miguel board, in a statement issued yesterday, outlined its three possible options at that time.

It could be rudderless, allowing the exiled chairman to retain his shareholders control, a possibility described as "antagonistic and subversive" to the new administration. Of there could be more government control which would be inadvisable as San Miguel could become part of the political spoils again.

The chosen option was in the board's "best business judgment" the purchase of the share block by Mr Soriano III.

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CSO: 4200/1019

PHILIPPINES

DANAO CITY GUNMAKERS RESUME PRODUCTION

HK131101 Manila THE NEW PHILIPPINE DAILY EXPRESS in English 10 May 86 p 3

[Article by Leo Enriquez]

[Text] Cebu City--Gunmakers in Danao City's clandestine factories have resumed their trade more, they have installed devices to warn them of police and military raids. [sentence as published] And also organized themselves into the Workers League of Danao City (WOLD) "to speak as one and protect the industry."

They claimed they have no other recourse but to continue making guns, because of the "deepening economic crisis."

They confirmed having stopped the trade temporarily after the four-day February rebellion in Manila which put President Aquino into power.

Since their trade was made illegal once again, they explained they can no longer work openly without endangering themselves.

What made them stop temporarily, the gun-makers added, was the announcement of Political Affairs Minister Antonio Cuenco that the new government would declare anew "as illegal gunmaking in Danao City."

Gun-making in Danao City actually started in 1901 and was legalized sometime in middle of last year by then President Marcos.

The making of the internationally-famous "paltik" [handmade gun] into a legitimate industry was designed to become an export product generating an estimated P10-million revenue annually.

The WOLD, they said, would draft a petition addressed to the President asking her to legalize gun-making in the city.

More than 28,000 residents or 35 percent of the Danao City's total population derive their income directly or indirectly from the illegal gunmaking industry.

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CSO: 4200/1019

PHILIPPINES

LOCATION OF P7.6 BILLION WORTH OF GOLD BARS UNCERTAIN

HK131111 Manila PHILIPPINE DAILY INQUIRER in English 11 May 86 p 13

[Article by Chit Macapagal]

[Text] The Philippines has about P7.6 billion worth of gold bars stashed abroad unless they have already been removed from two foreign banks where the bars were supposed to have been deposited.

Central Bank (CB) records show that within a four-year period (from Dec. 21, 1981 to Sept. 18, 1985) a total of 27 shipments of gold bars weighing about 60,000 kilos were made through a handful of brokerage companies.

The brokers, working under a CB scheme called gold deposit agreement and location/swap lease held the gold for a period of time and then deposited them to either the Bank of England or the United States Federal Reserve Bank.

CB records show the brokers paid a gold deposit fee to cover the period of "safekeeping" when the gold had not yet been turned over to the banks.

They also paid a premium of \$0.23 per troy ounce of gold to the CB's account in the foreign banks while the commodity was still in their possession.

CB sources, however, told the INQUIRER they do not know whether these gold brokers really deposited the fees and interests to the CB's foreign account. They also said they did not know whether the gold bars are still in the two foreign depositories.

The same sources said the gold shipments were kept a "top-level management secret." In the early years, they said the operation was monitored by Commission on Audit (COA) representatives. After a while, however, the auditors were barred from monitoring the shipments.

The CB sources also said they were kept in the dark about the so-called location swap/lease scheme as well as the Monetary Board Resolution No 2135 (dated No 27, 1981) which allowed the shipment of gold out of the country. This resolution was further amended by Resolution No 1180 dated June 25, 1982.

The sources described the \$0.23-premium "quite small." They also wondered how come the gold had to be kept with the brokers for several months before being turned over to the foreign banks.

CB spokesman Mike Avancena, however, told the INQUIRER there is nothing irregular about shipping out gold bars.

"We have been doing that for a long time," adding that shipping out the country's gold reserves is necessary because "we do not have the sophisticated security measures to keep them here."

Records show the total gold shipment within the four-year period totalled 59,522 kgs worth about P7.6 billion at the prevailing market price of P4,125 per ounce.

The INQUIRER tried to get hold of a copy of Monetary Board Resolution Nos 2135 and 1180, as well as an official explanation for the misdeclaration of the shipment of gold, Sept. 9, 1983. CB, through Avancena, promised to send the documents but has not done so as of presstime.

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CSO: 4200/1019

PHILIPPINES

OFFSHORE BANKING UNITS BARRED FROM PESO BUSINESS

HK131001 Manila MANILA BULLETIN in English 11 May 86 p 25

[Text] Offshore banking units [OBU's] can do foreign exchange but not peso business and this is the present rule, a high-ranking Central Bank [CB] official said yesterday.

The CB, in effect, rejected the request of two foreign banks to directly extend four financing facilities to local borrowers under the \$3 billion trade facility.

The CB official gave the statement in answer to a question on the status of the request of the two foreign banks.

Manufacturers Hanover Trust Corp and Banque Indoseuz, through their OBUs in Manila, had sought approval from the CB on their request to extend financing facilities directly to local borrowers from the trade facility.

The four financing facilities that the two foreign banks planned to extend to local borrowers were the following: pre-export financing or export packing credit; post-export shipment or export bill (usance) financing; bridging loan to exporters to finance maturing import obligations; and advances to nontrade foreign exchange earners.

A foreign banker confirmed that a request was indeed made by the two banks with the CB but no action has as yet been made on the request.

An officer of the Bankers Association of the Philippines [BAP] said the BAP position has always been to [word indistinct] for the restriction of on-shore business by offshore banks.

He said that the BAP would maintain its position that foreign banks should not encroach into the peso business which is traditionally being handled by local commercial banks.

Another BAP officer said there was no way local commercial banks could compete against foreign banks if the latter were allowed to extend pre-export financing to local borrowers.

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CS0: 4200/1019

PHILIPPINES

BUSINESS DAY REPORTS ON AGRICULTURE FUNDING PROBLEMS

Ministry To Streamline Funding

HK131229 Quezon City BUSINESS DAY in English 12 May 86 p 3

[Text] The Ministry of Agriculture and Food (MAF) will consolidate all agriculture and related loanable funds and will create a special council to streamline agriculture credit policies and measures.

The MAF has already drafted an executive order but it is still not know if it was signed by President Corazon C. Aquino during the Cabinet meeting last Wednesday.

According to the executive order, copies of which were released to the press over the weekened, "all existing and future loans funds that are agriculture and agriculture related shall be consolidated under one fund to be called 'Comprehensive Agricultural Loan Fund' [CALF]...."

The CALF will include funds currently being administered by the Central Bank [CB], loanable funds for agricultural commodities and activities administered by other government agencies sourced from the National Treasury and funds from foreign assisted projects--subject to negotiations with the foreign creditors.

To direct the utilization of the CALF, through streamlined policies and measures, an Agricultural Credit Policy Council (ACPC) will be established.

The ACPC will be composed of the agriculture and food minister as chairman, CB governor as vice-chairman, finance minister and National Economic and Development Authority (NEDA) director general as members.

Once established, the ACPC will replace the Presidential Committee on Agricultural Credit and the Technical Board for Agriculture Credit.

The council will assist the MAF in synchronizing all credit policies and programs to support the ministry's priority programs such as land development and

improvement, farm mechanization, production and supply of agricultural inputs, transportation and storage, processing, small farm financing, resource mobilization and marketing and other related activities.

The primary function of the council is to "ensure the economic soundness of all proposed credit programs which shall have its prior approval before submission to the approving of funding agency, whether domestic or foreign."

This would include the planned CALF, which aside from CB-administered funds and National Treasury-sourced funds, could also be funded through other sources such as general appropriations, loans, donations and grants from and outside the country.

Although CALF will be guided by policies formulated by the ACPC, it will be directly under the control and supervision of the MAF.

At present, the CB-administered funds number at least 20 including those being financed by the \$100-million World Bank Agricultural Loan Fund (ALF). Locally generated agricultural funds, including those sourced from the National Treasury, amount to over P700 million annually.

#### Central Bank Clarifies Fund Questions

HK131022 Quezon City BUSINESS DAY in English 12 May 86 p 3

[Text] The Central Bank [CB] announced that the Agricultural Loan Fund (ALF) interest rate to participating banks applicable for the second quarter of 1986 remains at 13.2 percent per annum.

The CB and the ALF interest to participating banks is based on the weighted average savings and time deposit interest rates during the immediately preceding quarter in accordance with the loan agreements of the CB with the World Bank and the U.S. Agency for International Development (USAID).

As of April 30 this year, ALF credits through banks reached P436.5 million for such projects as fishery and prawns, food processing, banana, palay, coffee, sugar, poultry and piggery, cattle, rice and feed mills.

Contrary to misimpressions created by certain news items about the ALF program, the CB also clarified that the total amount of approved World Bank-USAID ALF loans (aggregating \$120 million) have not been released to the CB in one [word indistinct].

CB availments against these loans are made under a reimbursement scheme such that upon application for funding by the CB, the World Bank will only release about 67 percent of duly supported actual loan disbursements already made by the ALF to participating banks. The difference of 33 percent of such disbursements represents the CB counterpart fund. The parallel financing from USAID may likewise be availed of by way of reimbursements.

Conduits for ALF funding are commercial, thrift and rural banks found eligible to participate in the program on the basis of a continuing evaluation conducted by the CB. Financing under the ALF program is market-oriented and there is neither an allocation of funds by crops or types of investment nor any targeted borrowers.

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CSO: 4200/1019

PHILIPPINES

ECONOMIC RESEARCH BUREAU PREDICTS ZERO GNP GROWTH

HK130929 Manila MANILA BULLETIN in English 12 May 86 p 20

[Text] The Bureau of Economic Research of the National Economic Protectionism Association (NEPA) is projecting a zero percent growth of GNP for 1986. This means that real GNP, based on 1972 prices, will be P89.9 billion, the same as last year.

However, the bureau said that the forecast allows for real GNP growth to range from minus one percent to plus one percent, depending on government and business decisions for the rest of the year.

The Aquino government is projecting a two percent growth rate for this year.

If GNP growth is zero percent for 1986, this will be the fourth consecutive year that GNP per capita has declined. With population increasing 2.5 percent per annum, a zero percent GNP growth translates to a negative GNP per capita growth of 2.5 percent per annum.

The bureau said that the positive factors working for the economy are: increased business confidence, lower exchange and interest rates, possible increase in foreign aid, growth in the economies of the Philippines' major trading partners, and lower world oil prices.

The negative factors working against the economy, according to the bureau, are: the economic mess left by the deposed Marcos administration, including a projected government deficit of P20 billion, weak purchasing power of consumers, the planned liberalization of imports, and the huge interest payments on the foreign debt.

Joseph Lim, head of the bureau, said that the huge foreign debt is the biggest drag on the economy and that contrary to allegations by some quarters, the country faces minimal growth for the rest of the decade without an alleviation of its debt service burden. Lim said that the path of selective repudiation advocated by Economic Planning Minister Solita Monsod is the only avenue which will permit growth.

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CSO: 4200/1019

PHILIPPINES

BRIEFS

EFFORTS TO DISMANTLE PRIVATE ARMIES--Manila, May 1 (PNA)--Constabulary Chief Brig. Gen. Renato de Villa Thursday ordered a stepped-up collection of loose firearms as part of military's efforts to dismantle private armies. In a conference with constabulary and police commanders from all over the country, General de Villa said 131 private armies had remained in operation as of March 31 this year. He estimated that these private armies are in possession of 8,700 firearms of various calibers. General de Villa said these groups should be the continuous target of military and police operations. The military has netted 5,800 firearms from Jan 1 to April 21 this year, he added. About 90 percent of this total of 5,794 firearms were seized or surrendered after the Feb. 22-25 people's revolution. De Villa told the regional commanders that there are still 93,600 loose and unauthorized firearms nationwide, including those in the hands of communist insurgents. He directed them to have a town-by-town accounting of all recovered loose and illegally issued firearms as ordered by military chief Gen. Fidel Ramos. [Text] [Manila PNA in English 0816 GMT 1 May 86 BK] /6662

ESCALANTE MASSACRE SUMMONS--Manila, May 9 (AFP)--A powerful support of deposed President Ferdinand Marcos has been issued with a summons for allegedly masterminding the massacre of 21 anti-Marcos protesters last year, a government prosecutor said here Friday. National Ombudsman Raul Gonzales told AGENCE FRANCE-PRESSE he sent out a summons Monday to Armando Gustilo and 57 others for involvement in the massacre in the remote town of Escalante in Negros Del Norte Province about 500 kilometers (310 miles) south of here. At least 21 people died and 5 more were wounded when security forces opened fire on a rally in front of the town hall denouncing Mr Marcos' policies. Mr Marcos was ousted after 20 years in power in February by a military revolt which received massive civilian backing. Mr Gonzales said he was studying whether to file charges in Escalante or in Manila, adding that President Corazon Aquino had "intimated that we hold the hearings in Negros to avoid inconveniencing both witnesses and respondents." But Mr Gonzales said his primary consideration was the safety of his witnesses in Negros Del Norte, where Mr Gustilo, a former governor, still holds tremendous sway through an alleged "private army." [Text] [Hong Kong AFP in English 0646 GMT 9 May 86 HK] /6662

FORMER PREMIER ACCUSED OF GRAFT--Manila, May 13 (AFP)--A private group has filed graft charges against former premier Cesar Virata and other officials of the deposed Philippine Government, officials said here Tuesday. The Anti-graft League of the Philippines filed the charges with the office of Justice Raul Gonzales, the national ombudsman, who will determine if there is enough evidence to elevate the case to a court that tries public servants charged with crimes connected with their offices. Mr. Virata, once reputed to be one of the most honest men in the government of deposed strongman Ferdinand Marcos, was accused of giving undue advantage to a local cement firm by allowing it full exemption from duties on equipment imports. Charged with him were former natural resources minister Rodolfo del Rosario, three other former officials, as well as officers of the Davao Union Cement, whose privileges allegedly deprived the government of 200 million pesos (9.75 million dollars) in revenues from 1982-85. The former premier, who was concurrent finance minister, could not be reached for comment. He set up a consultancy firm after a military revolt overthrew Mr. Marcos last February. [Text] [Hong Kong AFP in English 0419 GMT 13 May 86 HK] /6662

SANCHEZ BEGINS LABOR MINISTRY REVAMP--Labor Minister Augusto S. Sanchez has started the revamp of the Labor Ministry by replacing the directors of two key bureaus under it. Sanchez appointed Rashid A. Sabar officer-in-charge [OIC] of the Bureau of Rural Workers (BRW) to take over the duties of director Rafael S. Espiritu. Sabar's appointment took effect last May 5. Aura Ancheta Sabilano took over the functions of assistant minister Liwayway M. Calalang as OIC of the Bureau of Women and Minors (BWM). Sanchez also appointed Perfecto Gabut OIC of the Bureau of Local Employment (BLE) vice director Mary Ann Fernandez who has gone on official leave. [Text] [Quezon City BUSINESS DAY in English 9 May 86 p 26 HK] /6662

U.S. AID EXTENSION REQUESTS--Manila, May 13 (PNA)--Local Government Minister Aquilino Q. Pimentel, Jr. has asked the United States Agency for International Development (USAID) to extend its assistance by 15 months to the City Development Assistance Program's Rural Service Center Project (DCAP/RSCP). He said the extension would enable his ministry to implement more income-generating projects and to conduct orientation training for officers-in-charge [OIC] and other local government officials. RSCP Director Pablito C. Panares said the extension will mean an additional assistance of over 7-million pesos for training to the different local government units. Earlier, the RSC implemented 272 income-giving enterprises and infrastructure projects with U.S. assistance. We hope to complete some 50 more projects as soon as the Philippine Government releases the 46-million pesos in counterpart funding for the various RSC undertaking, Pimentel said. Much of the funds we can derive will be used to conduct a number of management skills and orientation training for the local government officials, most of whom are OIC's who have just been designated to administer the various local government units, Pimentel said. [Text] [Manila PNA in English 0317 GMT 13 May 86 BK] /6662

MISAMIS ORIENTAL REQUESTS MILITARY PRESENCE--The military is keeping its troops in six rebel-infested barangays in Claveria in Misamis Oriental in response to the petition of the people. Regional Unified Command 10 chief, Brigadier General Mariano Adalen, said the residents of barangays Pelaez, Apu-sa-kahoy,

Bolahan, Tipolohon, San Roque and Linangdan have urgently petitioned for the retention of the troops stationed in those areas to prevent the return of NPA rebels. It is also noted by the general that the presense of the military has prompted residents who fled their homes to return. General Adalen also reported the rescue of 800 people who have been abducted by the rebels last 10 February. Troops of the 9th Scout Ranger battalion have garrisoned in the six barangays. [Text] [Manila Far East Broadcasting Company in English 2300 GMT 11 May 86 HK] /6662

CEBU CARDINAL'S ROLE IN APPOINTMENTS--When Cebu political leaders were reportedly following up the designation papers for the legislative bodies in Cebu city and province in Manila, they got an audience with President Aquino. She reportedly told them that she would have no objection to the nominees, provided that they refer the names to Ricardo J. Cardinal Vidal for approval. If this is true, then the Cebu archbishop is being consulted by the new government and is having a lot to say. But the question is whether the Cardinal really saw the names of the nominees. It seems the names, as announced, are getting some negative feedbacks from the community. [Excerpt] Cebu City 'SUN' STAR DAILY in English 31 Mar 86 pp 5, 14] /9317

AQUINO TRIP TO CEBU--President Corazon Aquino is scheduled to make a trip to Cebu next month. Cebu governor-designate Osmundo Rama said that the president will be bringing with her a dialysis machine for the use of kidney patients in the Visayas and Mindanao. The machine will be installed at the southern islands hospital for use by needy patients. Rama said an advance team from the Health Ministry will arrive in Cebu soon to instruct hospital personnel on how to use the dialysis machine which he said is being donated by President Aquino to the Cebuanos. [Text] [Quezon City DZFM Radio in Tagalog 1000 GMT 2 May 86] /9604

CSO: 4211/48

COALITION GOVERNMENT OF DEMOCRATIC KAMPUCHEA

SON SANN SAYS AUSTRALIA TO MAKE OVERTURES TO SRV

BK071213 Hong Kong AFP in English 1152 GMT 7 May 86

[Text] Canberra, Australia, May 7 (AFP)--Foreign Minister Bill Hayden Wednesday said Australia would approach Vietnam for the Coalition Government of Democratic Kampuchea (CGDK) over a peace plan for Cambodia, CGDK Prime Minister Son Sann said here.

Mr Hayden made the commitment during a meeting here with Mr Son Sann, the latter told AGENCE FRANCE-PRESSE.

Mr Son Sann said Australia had an important role to play in the conflict between the UN-recognized CGDK and the Heng Samrin government set up after Vietnam ran the Khmer Rouge administration out of Cambodia in the late 1970's.

He said Australia was a friend of Vietnam and a friend of the Association of Southeast Asian Nations (ASEAN), which opposes the 150,000 Vietnamese troops in Cambodia, as estimated by Western experts.

"I asked Mr Hayden to help us. He said he would speak to the Vietnamese," Mr Son Sann said.

He said they discussed the proposal offered by the CGDK, which included two phased withdrawals of the Vietnamese troops and the establishment of a quadripartite government.

Australian sources said Mr Hayden had already expressed support for the proposal and renewed Australian backing for the initiative.

Mr Son Sann also had talks with opposition leader John Howard and opposition spokesman on foreign affairs Andrew Peacock. Mr Peacock said after the talks that the Australian Government should take a strong stand against the Vietnamese presence in Cambodia.

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CSO: 4200/1009

PARTY ACTIVITIES AND GOVERNMENT

VIETNAM

RESULTS IN IMPLEMENTING 8TH PLENUM RESOLUTION DISCUSSED

Hanoi GIAO DUC LY LUAN in Vietnamese Dec 85 pp 1-6

[Unattributed article: "Evaluate the Results Correctly, Adhere to the Guidelines and Continue To Implement the Resolution of the 8th Plenum of the Party Central Committee"]

[Text] The resolution of the 8th Plenum of the Party Central Committee has been in effect for 5 months now. The struggle became very intense when the state made a currency change and then implemented a new system of prices and wages. The situation is still unfolding. Faced with this situation, not everyone holds the same opinions. Thus, evaluating the situation correctly, recognizing the results that have been achieved and the shortcomings that persist and adhering to the guidelines set forth in the resolution of the 8th Plenum and Resolution 28 and the circular of the Political Bureau are important and urgent problems that will have a decisive effect on the implementation of the resolution of the Party Central Committee.

1. Evaluate the results correctly:

During the past 5 months of implementing the resolution of the 8th Plenum, we have carried out three tasks vigorously: Changing the currency, implementing a new price system and putting a new wage system into effect are extremely important for implementing the policy of eliminating bureaucratic centralism and state subsidies and switching to economic accounting and socialist business. These are major spheres of great difficulty and complexity in which we have little experience. But to date, we have scored a number of results: We have changed the foreign currency unit; provided foreign currency funds to support production, circulation and life; taken inventory of the cash in society; developed a new and more rational system of prices; taken steps to eliminate the subsidy system, which has been in effect for many years; and changed the wage system to make it more progressive in implementing distribution based on labor and eliminating average state subsidies. In the present economic situation, these are notable achievements that have created the conditions for our economy to make new changes. We must affirm the things that have been done and the initial results.

On the other hand, there are still many things that have not been done. Also, in implementing things during the past period, we have been guilty of a number

of shortcomings. The resolution of the 8th Plenum of the Party Central Committee and Resolution 28 of the Political Bureau are entirely correct, but there has been subjectivism and impatience in guiding, controlling, organizing and implementing things. An attempt was made to implement all three major reforms--price, wage and monetary--simultaneously before adequate and careful preparations had been made. Price, wage and monetary reforms have not been tied closely to reorganizing production and no urgent attempt has been made to build a new control mechanism. In particular, the production installations have not been given autonomy in production and business in order to increase productivity and improve quality and results. In organizing things and implementing price, wage and monetary reforms, there are many shortcomings that have made the capital situation even worse and that have had a direct effect on production, the standard of living and the psychology of the entire society. In addition to these shortcomings, a number of loopholes and a lack of vigilance on our part have enabled the enemy and speculators to carry on activities harmful to the economy and standard of living. A number of deviant cadres have encroached on socialist property. Not only have these shortcomings overshadowed the results and accomplishments, but they are having harmful effects that will take time to overcome.

The shortcomings and their harmful effects must be recognized clearly so that these shortcomings do not negate the work already done or the results that have been achieved.

2. Affirm that the resolution of the 8th Plenum of the Party Central Committee and Resolution 28 of the Political Bureau are entirely correct:

Today, in evaluating the situation concerning price, wage and monetary reform, people hold different views. Because of this, to continue to implement the resolution of the 8th Plenum of the Party Central Committee, it is essential to affirm the correctness of this resolution.

Practice has proven that the conclusions, policies and guidelines mentioned in the resolution of the 8th Plenum are correct. The resolution states that "bureaucratic centralism and state subsidies are the root cause of the illness affecting our entire economic control mechanism." Thus, the lesson is that "we must eliminate bureaucratic centralism and state subsidies and implement democratic centralism, economic accounting and socialist business correctly in order to promote production and business effectively." This policy and guideline is entirely correct. The other policies and guidelines mentioned in the resolution are correct, too. These include using paddy prices as the standard, calculating things correctly and fully from the very beginning and having a one-price mechanism; switching from paying wages in kind to paying in cash and improving the salary levels; having the banks switch to using economic accounting and socialist business; and increasing the production and business autonomy of the production installations.

On many fronts, the shortcomings stem from the guidance, control, organization and implementation by the echelons and sectors at all levels.

This must be unanimously affirmed in order to build on the results that have been achieved, correct the shortcomings, do any even better job in solving the

price, wage and monetary problems and change the economic control mechanism to stabilize and develop production and life.

3. In order to continue to implement resolutions 8 and 28 correctly, the viewpoints, concepts and guidelines mentioned in the resolutions must be understood more thoroughly:

a. Implementing the resolution of the 8th Plenum is a process that must be carried out gradually and steadily.

Implementing the resolution during the past months has shown that not everyone fully understands that opposing bureaucratic centralism and state subsidies and switching to economic accounting and socialist business is a process. This process began with the resolution of the 6th Plenum, 4th Term, of the Party Central Committee. This must definitely continue. Eliminating bureaucratic centralism and state subsidies is not easy because these things have taken deep root. They have become a way of thinking and working and are deeply imbedded in our policies and procedures. Also, building a new control mechanism is difficult because we lack models and must seek out test points and build things gradually.

Calculating expenditures correctly and eliminating subsidies in the national economy must be carried out gradually in accord with the specific situation at each stage.

Building a pricing system and forming a new price structure does not mean simply issuing new price lists. Each year, complete and rational lists must be prepared.

Determining and reducing production costs in order to have correct costs and implementing a one-price mechanism form a single process, from having one price widespreadly to having one price consistently.

Reorganizing production, rearranging the apparatus, providing jobs for the surplus laborers, achieving autonomy in production and business and giving financial independence to the production installations is a gradual process, too. These things cannot be completed all at once.

Improving wages and implementing distribution based on labor cannot be completed immediately. This is a multi-step process.

Switching to economic accounting and socialist business will take many years, too.

Because of this, the Political Bureau has stressed that "implementing the resolution of the 8th Plenum of the Party Central Committee and Resolution 28 of the Political Bureau is a many-sided and complex revolutionary struggle. To win a total victory, the struggle must be carried on gradually based on the plans." This must be understood clearly in order to avoid subjectivism and impatience.

b. Maintaining production is the root, prices, wages and money are the motive power and changing the economic control mechanism is the main task. Prices, wages and money are just the crash task.

Solving the price, wage and monetary problem and changing the economic control mechanism are aimed primarily at stimulating production based on a rational structure and exploiting the existing potential strength concerning labor, arable land, occupations and material and technical bases in order to expand production and have higher labor productivity and product quality and better economic results.

This is the most important of the five targets mentioned in the resolution of the 8th Plenum. Thus, in solving the price, wage and monetary problem, our aim must always be set on that target. Expanded production with increasingly higher productivity and quality and better results must serve as the standard for evaluating the results in solving the price, wage and monetary problem.

Production is the root. Prices, wages and money are just the motive force, not the target. Solving the price, wage and monetary problem without increasing production is meaningless. Prices, wages and money cannot form the basis because we can maintain prices, wages and money only with the goods produced, not paper. Recently, we took a number of steps concerning prices, wages and money, but this just slowed down production. The result was that prices, wages and money underwent complex changes. Because of this, the Political Bureau has stressed that "production is the root, and prices, wages and money are the motive power for stimulating production. Expanded production is the basis for prices, wages and money. Efforts must be concentrated on expanding and reorganizing production, increasing productivity and reducing production costs. This is still the basis for adjusting prices, wages and money successfully."

An understanding of this leads to the realization that in implementing the resolution of the 8th Plenum, the fundamental task is to build an economic accounting and socialist business structure. Solving the price, wage and monetary problem is just a crash task.

We have done a number of things to complete the crash task. The work remaining must be completed, and the mistakes that have been made must be corrected. However, we must now focus on building and gradually implementing the new mechanism--the economic accounting and socialist business mechanism--particularly on building and implementing a mechanism to provide autonomy in production and business for the primary level units. This is the decisive element for hitting the number 1 target of expanding production with high productivity and quality and good results.

It must always be remembered that solving the price, wage and monetary problem must be closely tied to implementing the new mechanism. We must not become bogged down in or overwhelmed by the price, wage and monetary problem.

c. Formulating and solving the price, wage and monetary problem in the socio-economic system and throughout the new economic control mechanism:

Prices, wages and money belong to the sphere of distribution and circulation. But they are related to all aspects of production and life and to politics and life. Thus, the question of prices, wages and money throughout the economic and social system must be posed. The matter of evaluating the results of solving the price, wage and monetary problems and solving the price, wage and monetary problems must be posed in this system. Only if this is done will it be possible to evaluate and solve the problems correctly and hit the targets stipulated in the resolution of the 8th Plenum of the Party Central Committee.

Only by posing this question throughout the economic and social system will it be possible to see all the difficulties and the complexity of the entire problem. Only by doing this will people see that this is a gradual process, realize that solving the price, wage and monetary problem is just a crash task, increase their vigilance, resolve to achieve victory in the struggle between the two paths and realize that changes must be made in social production in order to increase productivity and improve quality and results.

It must be understood that solving the price, wage and monetary problems will not solve all the socio-economic problems. Along with solving the price, wage and monetary problems, we must change the economic control mechanism, step up socialist transformation and market control, strengthen the national and collective economies and oppose the destructive plots and activities of the enemy. The management and cadre apparatus must be solidified and reorganized, and negative phenomena in the organizations, particularly the economic and cultural organizations, must be opposed.

d. In implementing the resolution of the 8th Plenum, vigilance must be increased constantly and the destructive plots of the enemy, speculators, spontaneous influences and deviant elements must be opposed resolutely.

We are adjusting prices, wages and money and changing the control mechanism at a time when the economy is experiencing many difficulties. Because of this, enemy and evil elements are constantly looking for ways to damage the economy and standard of living and create additional difficulties for us. In guiding things recently, we have made many mistakes and created loopholes that they can use to cause damage. We have lacked vigilance and underestimated the enemy and spontaneous influences and so they have been able to cause a certain amount of damage. Today, the struggle is continuing. They continue to oppose and strike at us. Thus, we must increase our vigilance and step up the struggle against the enemy and the struggle between the two paths.

Based on a thorough review of the recent destructive activities, we must evaluate the results of socialist transformation of private commerce and continue to promote the transformation of private commerce and small merchants. The commercial bourgeoisie must be eliminated resolutely.

Market reform and control must be stepped up. This must be done by thoroughly reviewing the economic and administrative measures, taking inventory and making inspections and waging a fierce struggle against the speculators who

are hoarding goods and monopolizing the markets. At the same time, the state-operated and cooperative commercial systems must be expanded and solidified, the struggle against passivity must be stepped up and the opportunists and deviant elements must be purged.

The markets must be mastered in order to contribute to stabilizing prices, wages and the lives of the people. "Regardless of the situation, the market, currency, price and wage situation must not be allowed to change spontaneously."

e. In implementing the resolution of the 8th Plenum, rely on the party organizations, manifest the collective ownership rights of the masses and change the method of controlling the economy and of organizing and implementing things.

Recently, in guiding, controlling and handling a number of tasks concerning prices, wages and money, we have not relied on the party and mass organizations, and methods have tended toward simple occupational administration, with the result that integrated strength has not been manifested in order to achieve greater results.

The resolution of the Political Bureau clearly states that the implementation of the resolution of the 8th Plenum is an all-round revolutionary struggle. Carrying out this revolution is the task of the masses. Thus, a mass revolutionary movement must be launched, the collective ownership rights of the laborers must be manifested and action must be taken so that everyone understands and agrees with the party's policies and measures and strives to contribute to implementing the resolution successfully. "This must be regarded as an all-round and difficult revolutionary struggle in order to expand production and improve life, carry on socialist industrialization, build socialism and defend our socialist fatherland."

Only in this way will we be able to mobilize the forces and create integrated strength in order to solve all the problems that arise and smash the psychological warfare line and destruction activities of the enemy and achieve success.

Along with launching the masses and manifesting the collective ownership rights of the laborers, control and guidance must be reorganized and changed in order to make guidance and control faster, more flexible and more effective. Opposing state subsidies must go hand in hand with opposing bureaucratic centralism. The immediate and primary task is to oppose bureaucratic centralism in guiding and controlling economic life. Unless bureaucratic centralism is opposed, it will be impossible to oppose state subsidies.

This is not a requirement for just a number of people or organizations. Rather, this is a requirement for the state, economic, party and mass organizations in implementing the resolution of the 8th Plenum.

Based on the above spirit and guidelines, in solving specific problems, there must be a deeper understanding of the following guidelines:

#### Prices:

An effort must be made to maintain formed social market prices. This must be manifested in the state pricing system that was promulgated recently. In particular, price ratios for agricultural and industrial goods must be maintained. In general, state prices (announced by the central echelon or localities based on their stipulated powers) are not formed social market price units.

In the country's present economic situation, in which there is a loss of balance on many fronts and productivity, quality and production results are low, the party's policy is: starting from the general situation and standards, expand the economy; based on the spirit of socialist collective ownership, exploit the potential capabilities concerning labor, arable land, occupations and the material and technical bases; make an effort to expand production; build an industrial-agricultural structure and other relationships; determine the value of the commodities; and set prices in accord with reality here, in accord with the purchasing power of the dong and with the approval of society. When determining domestic prices, attention must be given to foreign economic activities and the results of export-import activities. However, the primary basis continues to be the socio-economic situation within the country.

The principle of using paddy prices as the standard for determining new prices and the entire pricing system must be adhered to resolutely.

The one-price policy must be adhered to resolutely. We cannot return to the two-price policy just because of the immediate difficulties. That would lead to state subsidies and price differential speculation.

In order to restore economic activity to normal, production costs and wholesale prices must be calculated quickly based on a spirit of exploiting every capability in order to reduce production costs and circulation expenses. Wholesale prices must be determined so that the enterprises engaged in marketing activities can operate normally and make a profit.

At many enterprises in the country, the real potential for reducing production costs is very great, and, therefore, a problem of decisive importance is to reorganize production, check the economic and technical norms and make integrated use of the various measures in order to reduce production costs and circulation expenses so that production shows a profit. Only by making an effort to expand production with increased productivity, quality and results will it be possible to have a rational and stable price, wage and monetary system.

**Wages:**

The wage policy that was promulgated recently is an important step forward in the process of eliminating state subsidies. However, it still has irrational aspects and limitations. In order to manifest the effect of the new wage policy, a number of irrational points must be examined and corrected. However, only specific, not extensive, corrections should be made.

In the country's socio-economic situation, the wage policy has limitations. That is natural. We must self-consciously accept and put up with these limitations for the moment. They can be overcome gradually based on economic and social change.

Solving the price, wage and monetary problems and changing the economic control mechanism are very complex and difficult problems. In our country's economic situation, particularly in the wake of the recent natural disasters, which destroyed millions of tons of grain and caused much damage, the situation has become even more difficult and complex. Also, the resolution was implemented only recently and so final results have not yet been achieved. Implementing the resolution requires unified will power and action by the entire party and all the people, sectors and echelons. This requires that we improve our concept of organization and discipline.

We must all elevate our spirit of responsibility and actively contribute to implementing the resolutions of the central committee in order to achieve success.

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ECONOMIC PLANNING, TRADE AND FINANCE

VIETNAM

### HO CHI MINH CITY STRIVES TO RESOLVE ECONOMIC PROBLEMS

Hanoi QUAN DOI NHAN DAN in Vietnamese 6 Mar 86 p 1

[VNA News Release: "Ho Chi Minh City Takes Urgent Steps To Resolve Difficulties in Production and Life"]

[Text] Carrying out the policy of the Party and state regarding care for the lives of cadres, workers, civil servants, and the laboring people in the present situation, Ho Chi Minh City has promulgated a policy of price supplements, with regard to a number of essential goods, to wage earners, including college students, vocational middle school students, and armed forces members in the city. In addition to rice, which has been sold at guaranteed commercial prices since the introduction of the new salary system, and cooking fuel, which is sold at state retail prices, the city will make monthly supplementary payments to the those categories for meat (a uniform amount of the kilogram per person), sugar (0.6 kilogram per person), and fish sauce (one liter per person). The amount of the supplement will be the difference between the present commercial retail prices and the commercial prices at the beginning of October 1985. The city has authorized the precincts and districts to make supplementary payments to the cadres, workers, and civil servants under their management, while the cadres, workers, and civil servants in the administrative sectors of the city and the central echelon in the city will make supplementary payments from the profits of the commercial sector. The production-commercial units and the administrative units with incomes can make supplementary payments based on production costs or circulation costs. The city will implement the system of selling the above-mentioned goods to members of the armed forces at the retail prices made public in October 1985.

The city will implement the system of selling the above-mentioned goods to members of the armed forces at the retail prices made public in October 1985.

The city is continuing to reorganize the socialist commercial network in order to ensure that the essential goods are sold directly to cadres, workers, and civil servants by means of a system of canteens and to households by means of commercial stores and selling locations. The city has encouraged the administrative-professional organs to organize enterprises specializing in living conditions in order to contribute to improving the living conditions of

the cadres, workers, and civil servants while increasing the supply of goods for society.

In addition to the above measures, Ho Chi Minh City has just promulgated a number of new regulations to encourage the people to make deposits in savings accounts or contribute production capital. On the basis of the stipulations of the state, the municipal bank is allowed to utilize regulations to protect the value of money by making the value of rice the basis or adjusting the interest rate so that the depositors will not be harmed. The city also authorizes the production-commercial units to mobilize money of the cadres, workers, civil servants, and people at rational interest rates, not to exceed 7 percent a month, to contribute to resolving difficulties regarding capital and reducing negativism in circulation.

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