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2 FEBRUARY 1989



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# ***JPRS Report***

## **East Asia**

### ***Southeast Asia***

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# East Asia Southeast Asia

JPRS-SEA-89-006

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## PEOPLE'S REPUBLIC OF KAMPUCHEA

### Siem Reap-Odday Meanchey Military, Economic Conditions

42060018d Vientiane PASASON in Lao 16 Nov 88 p 3

[Article by Douang Dao: "A Strong Outpost of Kampuchea"]

[Excerpts] [Passage omitted] Implementation of the agreement between the Socialist Republic of Vietnam and the People's Republic of Kampuchea resulted in the seventh withdrawal of Vietnamese troops which began on 30 July 1988. The remaining Vietnamese soldiers will retreat 30 km from the border. The Khmer Rouge has taken advantage of this opportunity to dismantle the policy of national solidarity in the hopes of wiping out the young revolutionary PRK Army. As an outpost of the nation, Siem Reap-Oddar Meanchey has upgraded its military force in every way. Each canton is obligated to send 10 guerrillas to join the district and provincial troops. They use the weapons which they seized from the enemies in the dry season battles during 1986-1987. There are over 5,000 guns. Another source of weapons is

the misled who returned and surrendered to the administrative committee. By mid-1988 there were 2,000 people who surrendered with over 1,000 guns.

District and provincial soldiers are responsible for the food supply. Therefore, there was a problem in improving their standard of living. However, they received help from the women's association, the Buddhist organization and various private work units, by which 10 tons of rice, 2-3 tons of dried fish and assorted vegetables were distributed. Thus, the standard of living for the soldiers is assured. [passage omitted]

The weather was bad in 1987, but the Siem Reap-Oddar Meanchey Administrative Committee mobilized the people to grow seedlings three times, so they would have seedlings for planting. That year they were able to sell 20,000 tons of surplus rice to the government. They had sufficient rice to feed the cadres and troops who are protecting the country. The rural areas took on a new aspect. New houses have sprung up, along with bicycles, motorcycles and stores. Markets began to develop, and there was steady improvement in the standard of living. [passage omitted]

**New Formula for Oil Exports to Japan**  
42130045a Jakarta PELITA in Indonesian  
26 Dec 88 p 1

[Text] Jakarta, PELITA—Indonesian oil exports to Japan under a new formula can begin in April 1989, since exports through March will still use the monthly contract sales system that has been in effect since April 1988.

Minister of Mining and Energy Ginanjar Kartasasmita explained this in response to press questions after calling on President Soeharto at his Cendana Street residence last Saturday [24 December].

The nature of the formula is now being discussed by Indonesian and Japanese conferees. Ginanjar noted, however, that the formula should be made effective for a long period of time.

Until March 1988, Indonesian oil exports to Japan still used the Government Selling Price (GSP) system, i.e., prices approved by the two governments based on a long-term agreement. Declining oil prices in recent years resulted in abandonment of the GSP system and replacement with the monthly price system. Under the latter system, which will remain in effect until March 1989, discussions are held by the two parties each month, using the market price as starting point for the talks.

Under the monthly system, the price of Indonesia's exported oil fell to \$12.50 per barrel. It was raised to \$14.00 in the month that followed, and the most recent price, which is for January 1989 shipments, is \$15.00 per barrel. This most recent price is expected to hold at least until March 1989.

Ginanjar estimated that an average price of \$16.00, i.e., a price moving between \$15.00 and \$17.00, will be achievable by the middle of next year, but only if all exporting countries, whether OPEC or not, can work together.

The volume of Indonesian oil exports in recent months has moved between 550,000 and 600,000 barrels per day, of which an average of 400,000 barrels went to Japan. The Indonesian production quota is 1.3 million barrels per day, of which 35 percent is for domestic consumption.

**Alatas, Moerdani on Relations With Malaysia**  
42130046a Jakarta SUARA PEMBARUAN in Indonesian 17 Dec 88 p 1

[Text] Malacca, 17 Dec—The various similarities between Indonesia and Malaysia in the economic sector do not guarantee good relations between the two countries. These similarities may strengthen our ties, but at the same time they may cause differences of opinion and problems.

Therefore, Indonesia-Malaysia relations, which are now proceeding well, need always to be guided, bearing in mind that our attitudes and the shape of these relations

very much determine the situation in Southeast Asia. Foreign Minister Ali Alatas said this as he presented the main points of his thinking in a dialogue between prominent Indonesian and Malaysian young people, which was hosted by UMNO [United Malays National Organization] at Malacca, Malaysia.

Thus, Alatas reemphasized the importance of understanding the strategic role the young people in both countries have in the efforts to strengthen Indonesia-Malaysia relations. Recalling the atmosphere of confrontation existing between the two countries about 30 years ago, Alatas noted the meaning and value of strategic relations between the countries, PEMBARUAN correspondent Lexy Sumampouw reported from Malacca.

He said that these relations are much strengthened by geography, similarities as developing nations, membership in the Nonbloc Movement, membership in the Islamic Conference Organization, and geopolitical factors, for Indonesia and Malaysia are located at a crossroads and are protectors of the important shipping channel through the Strait of Malacca.

Therefore, said Alatas, as long as Indonesia and Malaysia can travel on the same road, they will have a positive influence on the region.

**Inseparable**

Malaysian Minister of Defense Tengku Achmad Rithaudeen, who agreed with Alatas in this matter, emphasized that the two countries experience pressure from the same international problems. Thus, Indonesia and Malaysia are inseparable, both objectively and emotionally. Both must move in the same sphere. "This is the special nature of relations between the two countries," said Rithaudeen. He then added, "As the backbone of ASEAN, the two countries have an even greater responsibility."

He admitted, however, that harmonization between the countries has so far not been achieved. This can be seen in the problems related to coordination of commodity sales on international markets, tourism promotion, fiscal and manpower issues, etc.

Rithaudeen proposed that the two countries formulate a joint socioeconomic development strategy.

On Friday afternoon [16 December] in the same forum, Malaysian Prime Minister Dr Mahathir Mohamad pointed out the need for lasting good Indonesia-Malaysia relations, since they very much determine whether the situation in Southeast Asia will be good or bad.

In this connection, Mahathir praised the interyouth dialogue as a good initiative that will determine relations between the two countries in the future.

He asked that delegates to the forum speak frankly about various issues in relations between the countries. He

admitted that there are several differences between Indonesia and Malaysia. There are, however, many areas of cooperation, particularly in economics, which should be made more concrete.

### Strategic Approaches

Earlier on Friday afternoon, Indonesian Minister of Defense and Security L.B. Moerdani told the forum that he saw several similarities in the perception of development issues. Nevertheless, the possibility of differences must be seen as an integral part of life, and we must always be aware of such possibility. "We must not, therefore, consider that Indonesia-Malaysia relations are as they should be ('taken for granted')," said the minister of defense and security.

One thing we cannot avoid, said Moerdani, is that the two countries live in the same geographic sphere, where we will always live together and face threats that are about the same. Thus, Moerdani, who is much respected in Malaysia as the pioneer of renewed friendship between the two countries at the inception of the New Order, wants the countries to make joint strategic approaches, both bilateral and in the framework of ASEAN.

He admitted that the two countries have their own ideologies. Indonesia promotes Pancasila as the manifestation of a unitary state, while Malaysia emphasizes the principles of "Rukun Negara" [official state ideology], which is based on Bumiputra [Malays and other indigenous peoples] culture and which gives the Malaysian Bumiputra community a special place in political and economic life. Also, political parties in Malaysia are bound by a racial background of Malays, Chinese, and Indians.

In reply to a question from a Malaysian delegate, Moerdani reemphasized that Indonesia has Malay roots. It also has roots elsewhere, however, such as in the Melanese of the eastern part of Indonesia. Therefore, viewing all Indonesian people as included in Malay stock could cause problems.

Earlier, the Malaysian ambassador to Indonesia, Dato Moh. Khatib, explained that the Malaysian delegation consisted only of Malays. This was not intended as discrimination against other groups, however, but represented reality, and he hoped that Indonesia would understand Malaysian aspirations just as Indonesia wants Malaysia to understand Indonesia.

**Minister on Importance of 'Pacific Era'**  
42130047c Jakarta *SUARA PEMBARUAN* in  
*Indonesian* 4 Jan 89 p 1

[Text] Jakarta, 4 Jan—Developments in the political, economic, and defense and security sectors in the Pacific region will become increasingly important to Indonesia,

for these will have great influence on future Indonesian development efforts and activities.

"The center of international economic activity is now shifting from the Atlantic to the Pacific, which will affect the policies of countries in the Pacific region, including Indonesia," said Foreign Minister [MENLU] Ali Alatas in his end-of-year statement to the press on Tuesday afternoon [3 January] at the DEPLU [Department of Foreign Affairs] Caraka Loka Building at Senayan.

Indonesia, and ASEAN also, appear quite certain that the countries of the Pacific region will become increasingly important and that at some moment a "Pacific Era" will arise. Therefore, said Ali Alatas, who was accompanied by eight echelon I officials of DEPLU, Indonesian economic and trade cooperation with other countries in the region, like the United States, Japan, and other newly industrialized countries, will expand faster.

In this connection, Indonesia, along with other ASEAN states, will cooperate with other Pacific countries in the development of human resources. Indonesia will also work bilaterally with other South Pacific nations through technical and economic cooperation programs. "Enlargement of such cooperation is reflected in the expansion of Indonesian relations with Papua New Guinea, Australia, New Zealand, and other South Pacific island states," said Alatas.

Other important indications of the increasing importance of the Pacific region, he continued, are the coinciding of interests of the big countries (the United States, the Soviet Union, Japan, and the PRC) and the rapid economic growth occurring in this region.

Speaking to about 100 national and foreign reporters and editors, Alatas explained that Indonesia's foreign policy in 1988 was still directed toward using every opportunity to support and expedite the implementation of national development. Indonesia also continued to monitor carefully the various international changes and flare-ups that could disturb national stability and hinder implementation of development so that we could reduce or nullify negative effects as early as possible.

### Unusually Busy

MENLU Alatas also admitted, as explained in his 80-page press release, that Indonesian diplomatic activity in 1988 was unusually busy. This included visits to Jakarta by 12 heads of state and government and no less than 30 foreign ministers.

MENLU Alatas also noted various meetings held in Indonesia, including the 44th meeting of ESCAP [Economic and Social Commission for Asia and the Pacific], which he chaired. The ESCAP meeting, held in April 1988, produced the "Jakarta Action Program" on development of human resources in the Asia-Pacific region.

He also noted Indonesia's active role in the third UN special session on disarmament. An important breakthrough for Indonesian foreign policy, Alatas said, was the successful convening of the Jakarta Informal Meeting (JIM) at Bogor in July 1988.

In connection with the second JIM, planned for February 1989 in Jakarta, Alatas, who seemed optimistic, said that efforts toward a solution for Cambodia will enter a decisive stage in 1989. "JIM II is expected to achieve further progress," said Alatas. He concluded that, considering Indonesia's numerous foreign policy activities, this country does not evince a foreign policy that is low-profile.

The handling of the Cambodia issue through JIM will still demand a lot of time in Indonesia's foreign policy activity. This is especially true now that one party directly involved in the conflict, the Coalition Government of Democratic Kampuchea (CGDK), has recently signaled it will not participate in the upcoming JIM II, which of course will complicate efforts to resolve the conflict.

The JIM chairman, i.e., the Indonesian MENLU, appears to be reacting seriously to these signals and will therefore try to meet soon with the leader of the CGDK, Prince Norodom Sihanouk, in Paris when the Indonesian MENLU attends the conference on chemical weapons.

Indonesia naturally welcomes any discussion of the Cambodian conflict by the superpowers, for although Cambodia is a regional conflict the issue is an international one. Guarantees by the superpowers, in addition to more active roles by countries in this region, are therefore needed in the search for a resolution of the Cambodian conflict. The Cambodian people themselves must especially have a desire to settle it. "If they don't want to settle it, what can we do?" Alatas asked in a serious tone of voice.

#### Logical Consequences

Touching on the Middle East problem, with the Israeli-Palestinian conflict at its core, Alatas again urged Israel and its supporters to welcome the good intentions and calls for peace of the Palestinian people and asked that Israel change its position. Such a change would represent a visible contribution to peace in the Middle East and in the world.

Indonesia was one of the first countries to recognize the independence of the Palestinian state, proclaimed on 15 November 1988. "As a logical consequence of that recognition, the opening of diplomatic relations with the new Palestinian state will need further action," Alatas said.

Apart from that, recent developments in the Palestinian issue afford brighter hopes for achievement of a comprehensive settlement. Following the proclamation of a Palestinian state, the offering of constructive proposals by the Palestinian National Council for an international

peace conference on the Middle East and the recent direct dialogue between the United States and the Palestine Liberation Organization (PLO) at Tunis were big steps forward, according to Alatas.

In this connection, Alatas hoped that in 1989 the momentum toward a settlement will be maintained and spurred on.

With regard to ASEAN, Alatas mentioned Indonesian efforts to increase steadily its contribution to strengthening the national resilience of each country so that regional resilience can be progressively stabilized. "ASEAN cooperation will remain one of the main pillars of Indonesia's foreign policy," he stated.

At the same time, Indonesia will continue to work to create a Zone of Peace, Freedom, and Neutrality (ZOPFAN) in Southeast Asia and to make the region free of nuclear weapons, which is an integral component of the ZOPFAN concept.

Cooperation needs to be improved with the countries of the region through the South Pacific Forum, the Association of South Asian Nations, the Gulf Nations Cooperation Council, and others. Such activities will make Indonesia even busier, for it is now Indonesia's turn to chair the ASEAN Permanent Committee, and next June the post of secretary-general of the ASEAN Secretariat, now held by Brunei Darussalam, will also move to Indonesia.

#### Prosecutor Exposes Corruption in PERTAMINA 42130046b Jakarta SUARA PEMBARUAN in Indonesian 20 Dec 88 p 3

[Text] Balikpapan, 20 Dec—The East Kalimantan Chief Public Prosecutor [KAJATI], helped by the BPKP [Finance and Development Oversight Board] and PERTAMINA, has exposed a practice of manipulation of tenders and of the leasing of drilling equipment and oil rigs in the Pulau Bunyu field, inflicting a loss to the state of 1.3 billion rupiahs. This corruption, which involved H.C.L. (59), the former chief of the Exploration and Production Unit (PUPE), and B.W.H. (46), former technical chief (KATEK) of EP [Exploration and Production] IV of PERTAMINA Kalimantan, took place from 1983 to the beginning of 1986.

The East Kalimantan KAJATI, Soetomo, SH [Master of Laws], accompanied by his assistant for intelligence, Suharsono, SH, recently told PEMBARUAN that they had also exposed contracts and fictitious expenses for the leasing of equipment such as a rotary swivel, one square kelly unit, and two blowout preventive units for two oil and gas wells, H.35 and L.350, at the East Kalimantan Bunyu field.

Leasing of the five oil and gas well equipment units not only caused multiple payment for the equipment contracted for but was also an effort to prevent purchases.

Under a contract worth 1.9 billion dollars, PERTAMINA could have owned dozens of rotary swivel, square kelly, and blowout preventive units, but the "lease" contracts caused no small waste of state money.

According to PERTAMINA Logistics and confirmed by BPKP, the 1983 prices of the rotary swivel (RS), square kelly (SK), and blowout preventive (BOP) were 15,001,934 rupiahs, 8,564,731.25 rupiahs, and 50,946,298.37 rupiahs, respectively. At the time the Bunyu field requested procurement, however, the PERTAMINA purchasing team in Singapore said the items would not arrive at Bunyu until 14 weeks after placement of order.

#### Because of Time

With a justification of haste, since the items were very much needed by PERTAMINA PUEP IV, PERTAMINA through suspects H.C.L. and B.W.H. used the method of 6-month leases. It turned out, however, that the leases of the RS, SK, and BOP units were not merely for one time, but some of them were extended 12 times.

Soetomo explained that the practice of leasing rig equipment that should have been bought by PERTAMINA was not only a manipulation of lease costs but resulted in multiple billings, such as for insurance, PPN [sales taxes], transport equipment costs, supervision, and other expenses included in each contract.

The two suspects, H.C.L. and B.W.H., are charged not only with criminal acts of corruption in violation of section 1, paragraph 1(b), or alternatively section 1, paragraph 1(a), of the Corruption Law but also with intentionally violating the policy that they could only conduct tenders valued at less than 200 million rupiahs, thus intentionally ignoring the decisions of PERTAMINA directors, KEPRES [Presidential Decision] 14/1979, KEPRES 14a/1980, KEPRES 18/1981, and Joint Letters of Decision MENDAGRI [Minister of Home Affairs] 53/1981, Minister of Public Works 58/1981, and Minister for Administrative Reform 03/1981.

#### Not Detained

In reply to a PEMBARUAN question, Soetomo said neither H.C.L. nor B.W.H. had been detained. H.C.L. is now in retirement in Jakarta, and B.W.H. is still in Balikpapan.

"We are confident they will not flee," said the East Kalimantan KAJATI.

He explained that the case is now in preparation and hopes it will be presented to the court at the beginning of January 1989.

#### Importance of ASEAN Economic Solidarity Stressed

42130045e Jakarta *ANGKATAN BERSENJATA* in Indonesian 30 Dec 88 p 3

[Commentary by Nana Suryana: "ASEAN and Economic Solidarity"]

[Text] ASEAN is now growing as a center of new economic strength. It is not an exaggeration to say that Indonesia has a big role in it. This indicates to us that Indonesia is now among those being counted on. Although Indonesia is still troubled by no small indebtedness, President Soeharto has said clearly and firmly, "As a sovereign state, Indonesia determined from the beginning to bear on its own shoulders the responsibility for its welfare and future."

Speaking at an ASEAN seminar in Bangkok, an officer of the European Community, Endymion Wilkinson, asked, "Will the development of trade within ASEAN be able to provide regional markets that are big enough to attract new investments and produce growth in the region?" Wilkinson's speech, which had a sarcastic tone, actually scolded ASEAN countries so that they will promptly come to a compromise. This is especially needed going into the 21st century (the year 2000), when more difficulty for the export-oriented ASEAN economy is certain if ASEAN is not able to expand its domestic markets. A continuing disastrous matter is the fight among ASEAN countries over domestic markets because of the persisting unwillingness of each for fellow ASEAN members to participate in its domestic market. This has produced obstacles to the promotion of economic solidarity.

#### ASEAN Concerns

Concern may arise in ASEAN over the effect of European Community action toward becoming an integrated market. This concern has some basis. This is primarily true of the fear of increased protectionism, which could halt the flow of ASEAN goods to the European market and reduce investment outside of Europe after the European Community's common market policy is established in 1992.

Furthermore, the international trade map will change fundamentally in the next several years. It is certain that this change will have a direct impact on ASEAN trade patterns. Besides the fundamental changes occurring in North America (the agreement by the United States and Canada to form a single market at the end of this century) and Eastern Europe (as an effect of Soviet perestroika), changes will also occur in Europe with the formation of trade patterns among the 12 countries.

Observing such a situation, we can be certain that countries bound to single markets will expand their efforts to achieve a more efficient economic scale. If the current single markets become controlled markets, market mechanisms that are stronger, bigger, and harder to control may arise in the next decade. This may even

make a dynamic process possible among countries now united in the COMECON [Council for Mutual Economic Assistance] single market.

This clearly presents a yellow light to ASEAN. At the least, all the states in the ASEAN region must increasingly realize the importance of promoting the integration of their economies by, for example, the use of a common currency, which so far has been hard to do. The use of a common currency, however, would be very conducive to ensuring exchange stability. In fact, the use of common currency in Europe in the form of the ECU (European Currency Unit) has helped its international policies, which it has conducted consistently. With regard to ensuring exchange rate stability, for example, if one country deviates from the ECU exchange rate it must adjust the value of its money through such means as devaluation.

When will ASEAN be able to do this? Much time apparently is still needed. Political will in that direction is still not visible. Furthermore, fights over domestic markets still shackle ASEAN, and there are other obstacles besides, like the introduction of the Import Substitute Industry Strategy, which more relies on the domestic market, and sameness in primary export commodities, which causes competition among ASEAN states.

If this is so, would it be more suitable for ASEAN to contend in the political sector? Possibly. Looking at ASEAN's course for almost 22 years, it appears more dominant in the political sector. This impression became stronger after the Bangkok Declaration was made without the presence of economic ministers. In fact, ASEAN statements have frequently touched on the Cambodian conflict and Soviet intervention in Afghanistan.

Nevertheless, this does not mean that ASEAN economic prospects are surrounded by dark clouds, for it is a fact that ASEAN is now becoming the center of a new economic force. The Bali Declaration of 24 February 1976 was a sign of ASEAN's awakening to turn its attention from the political to the economic.

#### **European Common Market and the Lubbers Guarantee**

Dutch Prime Minister Ruud Lubbers guaranteed that implementation of the European Common Market in 1992 will not hurt ASEAN or other developing countries, for the West European market will in fact be increasingly open. The implementation of the European Common Market will not have limiting effects. This was agreed to by the heads of EEC governments, as expressed in the Hannover Declaration of last June (1988), said Lubbers.

The Lubbers guarantee apparently was an "antidote" to ASEAN fears, especially as far as Indonesia is concerned. In fact, Indonesia took its turn in warmly welcoming it. This attitude was expressed by President Soeharto: "For the good of all of us, I welcome the formation of the European Common Market in 1992."

Why is ASEAN, especially Indonesia, so enthusiastic in its support? Because it hopes the European Common Market will bring a breath of fresh air and a new dimension to world trends toward regional cooperation. This was especially true after Lubbers emphasized that the European Common Market in its entirety will not be protectionist, because it is not a concept for the uniting of Europe.

This means that ASEAN will continue to be able to bring in its products. Furthermore, ASEAN and the European Community have actually had cooperation agreements since 1980, which globally have produced a 55 percent increase in bilateral trade in the last 8 years.

The problem now is how to create larger patterns of unity, for it must be admitted that the performance of ASEAN economic cooperation still causes concern. Only 10 percent of ASEAN trade is conducted among member countries. As touched on earlier, this is a result of sameness in products, thus often causing competition in the same limited markets. In addition, asymmetry in the intensity of development in the countries of course brings its own problems. The Philippines are the most backward. Malaysia, Thailand, and Indonesia are still developing, while Singapore and Brunei can be called already prosperous.

Various positive breakthroughs have been sought for the integration of ASEAN. The Pattaya, Thailand, meeting, for example, produced expansion of the PTA (Preferential Trade Arrangement) from 12,783 to 14,462 commodities. ASEAN's PTA system can be called identical to the style of the EEC, or at least was influenced by the EEC. In addition, the ASEAN Banking Commission has planned a common financial system for trade and has proposed to hold talks on international finance and banking.

#### **Indonesian position**

The 1988 GBHN [Broad Outline of State Policy] states that the direction of development in the trade sector is to support improvement and expansion of the world economy, particularly through efforts to create efficient and effective trade and national distribution systems.

In connection with the formation of the European Common Market in 1992, the focus for Indonesia is more on hopes, as expressed by President Soeharto: "The European Common Market should not create a separatist Europe, but should be a motivating force toward the achievement of a world not divided into blocs." A deeper meaning in the president's hopes is that the European Common Market should not entertain a new hope that ASEAN will become a closed force, for it will in fact move in the direction of interregional cooperation.

Nevertheless, this actually represents a separate challenge to Indonesia. Competition for foreign markets will become even sharper. Thus, special attention is needed for important facilities and infrastructures that support the development of trade, particularly trade oriented to

exports. Our experience is that the slowdown of exports is much related to high costs ("high cost economy"), product quality that is not competitive, instability in variety of exports, and carelessness in meeting schedules and maintaining continuity of shipment.

In this connection, participants in the Indonesian economy, especially those in the business world, must, like it or not, establish closer and more stable cooperation with the government by continuously adjusting and improving.

It must be realized, then, that normalization of Indonesian economic growth will be much determined by our attitudes, actions, and efforts toward finalizing economic restructuring by dropping dependence on oil and gas exports and on import substitution industries.

**Kodijat Named Public Works Secretary-General**  
*42130045b Jakarta PELITA in Indonesian*  
28 Dec 88 p 2

[Text] Jakarta, PELITA—Minister of Public Works Engr Radinal Moochtar this Wednesday morning [28 December] is scheduled to install Engr Salmon Kodijat as secretary-general of the Department of Public Works, replacing Engr Harun Alrasyid, who died on 18 November.

Engr Salmon Kodijat is now secretary of the Office of the Minister of State for Public Housing. He was born at Rangkasbitung on 24 January 1933 and graduated from the ITB [Bandung Institute of Technology] in 1962 with a major in architecture. He then entered the sphere of the Department of Public Works. He and his wife, Engr Duddy Zartini Zahar, have four children. He is known as a senior person within the Directorate General for Construction of the Department of Public Works.

When Engr Radinal Moochtar was director of urban and regional administration, Engr Salmon served as secretary of that directorate. He is known as a person who is open and friendly but one who does his duty diligently. Salmon is a holder of the Seroja Merit Award.

**Wider Participation Asked in Foreign Loan Negotiations**  
*42130045c Jakarta KOMPAS in Indonesian*  
29 Dec 88 p 2

[Text] Jakarta, KOMPAS—Negotiations for foreign loans to pay for development projects can no longer be conducted by bureaucrats only. The government must be willing to involve other parties, especially consultants, business representatives, and politicians, in order to improve the effectiveness of the loans.

"For, behind the desire to make loans, the donor countries actually have business objectives," said Eki Syachrudin, principal director of the Pan Asia Research and Communication Service, in a press interview in Jakarta on Wednesday [28 December].

Indonesia's foreign debt, which exceeds \$40 billion, has become very burdensome, Eki said. It is recognized, however, that some of these funds return to the lending countries through procurement of materials needed for their manufacturing projects, through payments to foreign personnel, and, very possibly, through overcharges for particular projects.

In this connection, added the member of the People's Consultative Assembly (MPR), it is in fact time for the government to explain exactly how much of the foreign loan money actually enters the national economic cycle. The government should also explain the government's program for seeking loans. "How long will we be in debt? How much debt can we tolerate, and what is the repayment burden year by year?" he asked.

**Losses**

Without ignoring the benefits of foreign loans to national development, Eki Syachrudin added that it cannot be denied that some foreign loan funds have not fully entered the national economy but, on the contrary, continue to be enjoyed by the lending countries.

The most obvious matter is that there are still numerous projects that require use of materials from the lending countries in spite of the fact that similar materials are produced in Indonesia. Furthermore, consultants or foreign personnel at each project are certain to require very large compensation. "They may be paid 25 million rupiahs per month, whereas BAPPENAS (National Development Planning Board) has set a top limit of 2.6 million rupiahs for a domestic consultant, although he may be senior," he said.

The matter that most demands discussion, however, is whether the costs of projects are truly appropriate. "Are there not overcharges, seeing that the study and design of foreign-funded projects are generally also done by foreign consultants? If that's the case, we are in fact aiding them," he added.

He cited an example from 1983, when a state enterprise intended to build a project. A consultant from the prospective lending country estimated the value of a project to be \$140 million, but a team of national consultants calculated the price to be no more than \$70 million.

Seeing that there has been a series of cases detrimental to national interests, Eki asked the government to strengthen the ranks of those who negotiate foreign loans. "In my opinion, the essence of negotiations should not be entrusted merely to economists or bureaucrats," he stated.

He said that Indonesia does indeed need foreign loans. It must be remembered, however, that the lending countries also have an interest in channeling their funds

overseas so that their money will not be in idle investments in their own countries. They have an interest in exporting their products.

Bureaucrats, he added, cannot fully understand the exact value of a project, the materials that can actually be provided domestically, or, possibly, the political aspects of a project. Therefore, they must be accompanied by politicians, by national consultants, and by members of the business world who understand the ins and outs of industry and the slippery issues of trade. "Leaders must face the political aspects of a loan with a determined defense of their people, businessmen must face the trade aspects with shrewdness, and consultants must face the technical complexities of a project with thoroughness."

**Plywood Export Quotas To Be Enforced**  
*42130045d Jakarta KOMPAS in Indonesian*  
*30 Dec 88 p 2*

[Text] Jakarta, KOMPAS—In order to safeguard the continued existence of national plywood producers, the Indonesian Wood Panel Association (APKINDO) will continue to act firmly in enforcing export quotas. This discipline is not only for protecting the stability of the world market but also for safeguarding the existence of the 108 national plywood producers.

The enforcement of this discipline was explained to KOMPAS by APKINDO Managing Director Tjipto Wignjoprajitno on Thursday [29 December] at Manggala Wanabakti, Jakarta. "How much the quotas will be and how they will be allocated are marketing strategy secrets. It will definitely be done democratically and openly among all the members of the seven Joint Marketing Boards (BPB) of APKINDO," Tjipto stated.

APKINDO was formed to initiate a direct penetration of the world market. Because of strong competition by South Korea, Malaysia, and Singapore (KOMASI), however, APKINDO maintains discipline among its members.

APKINDO enforced this discipline firmly around 1980. The rapid expansion of the Indonesian plywood industry came at the moment the international economy was hit by recession. Because orders then declined, buyers easily dictated to sellers.

The problem in the buyer's market situation was that producers for export came under cash flow pressures. Prices then fell steadily as the practice of price cutting raged.

"Since this threatened the continued existence of the national industry, APKINDO had to dare to take firm action, however unpopular," said Tjipto. That action included adjustment of Indonesian offers to levels of world demand.

**Business Mentality**

Therefore, the 108 producers for export were asked to select and join voluntarily one of the seven BPB's formed by APKINDO. They themselves drew up basic BPB rules in accordance with their operations, and these were then established by the Minister of Trade as part of the trade structure for plywood exports. Then, in order to monitor exports, it was agreed that each letter of credit issued had to be opened to a BPB by the exporter involved.

In order to establish quarterly marketing policies, APKINDO formed a Price Stabilization Team (TSH) and a Marketing Commission (KOMPA) for each market. The members of each TSH were exporters experienced in their respective markets. The objective was to perform specific analysis of market tendencies at any moment.

Stability, primarily in markets traditionally controlled by APKINDO, was sought by the Department of Trade when it introduced an export quota system. The application of raw plywood quotas to Japanese, West European, and U.S. markets was based on certain specifications. The system was not made applicable to nontraditional markets, for incentives were instead being provided to such exports.

A balance between offers and demands was gradually reached, and prices even improved. The domestic industry was free from these mutually destructive price-cutting conditions. The market even changed to a seller's market. The most important benefit of APKINDO's action, however, was the creation of a new mentality among Indonesian plywood manufacturers.

"We realized that the interests of each business was not separate from common interests. In fact, business mentality changed to a mentality of industrialists with long-term thinking," he said. Thus, the present loyal membership attitude is not because of fear of disciplinary action by the association but because members realize that their interests are being fulfilled.

**Bad Precedent**

In relation to that, Tjipto said he regretted the complaint by Piet Yap, principal director of PT [Limited Company] Wapoga Mutiara Timber, who accused APKINDO of hindering exports. The company, which is located in Biak, Irian Jaya, forwarded its complaint to a team of the DPR [Parliament] Commission VI, headed by Soenaryo Haddade. This comes in spite of the fact that this PMDN [domestic capital investment] project, which relies on HPH [forest exploitation concessions] held by PT Kayuekaria, will not begin experimental production until March of next year.

"How is it possible that APKINDO is hindering its exports, when its commercial production does not begin until June of next year? On the contrary, the director of

PT Wapoga, Albert Cahyadi, in fact stated in his membership application of 21 July that they were prepared to comply with every APKINDO regulation and requirement," Tjipto stated.

Tjipto said that PT Kalhold, which is owned by Bob Hasan and was not founded until 1986, did not receive an export quota for the traditional market. Although Bob Hasan is general chairman of APKINDO, he did not want to set a bad precedent. APKINDO had determined that only those with experience and proven product quality will have the right to export to the traditional market.

#### **Report on Investment Projects To Be Completed in 1989**

42130047b Jakarta *SUARA PEMBARUAN* in Indonesian 4 Jan 89 p 11

[Text] Jakarta, 4 Jan—A total of 698 industrial projects accounting for investments of 7.08 trillion rupiahs will be completed and in production in 1989.

According to information obtained from the Department of Industry in Jakarta on Monday [2 January], these 698 industrial projects will absorb 219,653 workers.

These industrial projects will also earn \$1.4 billion per year, besides saving \$620 million in foreign exchange every year.

Of the 698 industrial projects to be completed in 1989, 610 will be in the miscellaneous industry category and will be oriented to exports.

There are 88 other projects in the categories of basic chemical industries, basic metals, machinery, and electronics that will save \$620 million in foreign exchange and will earn foreign exchange through exports.

The 610 projects mentioned above consist of the following: 32 food processing plants; 96 textile mills; 65 factories for rubber shoes, condoms, and gloves; 5 factories producing home furnishings, bicycle components, and flashlights; and 112 industries for making furniture, processing wood, and producing hundreds of other products oriented to export.

#### **Market Opportunities**

In view of world market opportunities, especially in the Asia-Pacific region, the United States, Japan, Korea, Taiwan, Australia, the Middle East, and the EEC, and noting the competitiveness of national industries, the value of industrial sector exports in 1989 is expected to rise 17.4 percent over the 1988 figure.

The value of industrial sector exports in 1988 is thought to have reached \$8.8 billion, and in 1989 it is expected to rise to \$10.3 billion.

The export target of \$10.3 billion for 1989 is expected to be made up of the following: miscellaneous industries, \$7.06 billion; machinery and basic metal industries, \$706 million; basic chemical industries, \$775 million; small industries, \$968 million; and primary industries, \$815 million.

In 1989, miscellaneous industries are expected to grow by 15.6 percent, machinery and basic metals by 9.6 percent, basic chemical industries by 44.1 percent, small industries by 21 percent, and primary industries by 15.2 percent.

Besides improving exports and expanding job opportunities, the construction of the 698 industrial projects will also bring about even distribution of development throughout Indonesia.

The industrial projects to be constructed in 1989 are scattered in 24 provinces and exclude only Maluku, West Nusa Tenggara, and East Timor.

#### **Oil, Gas Reserves in Kalimantan Described**

42130047a Jakarta *SUARA PEMBARUAN* in Indonesian 2 Jan 89 p 12

[Text] Balikpapan—PERTAMINA [National Oil and Natural Gas Company] and three of its production-sharing contractors, Huffco, Total, and Unocal, operating in Kalimantan are optimistic that oil and, particularly, natural gas in the PERTAMINA Kalimantan operations area will remain economic over the long term. This was PEMBARUAN's conclusion after a December "oil tour" of oil and gas fields and of gas, LNG [liquefied natural gas], and fertilizer processing facilities from Balikpapan to Bontang along the coast of East Kalimantan.

At several fields, oil reserves are thought to be on the decline, and their economic value is steadily dropping, with only 10 to 15 years of production remaining. New gas finds, however, and the estimated extent of gas reserves, plus developments in high technology for the processing of gas into LNG, LPG [liquefied petroleum gas], methanol, and fertilizer, give decades of hope to "oil people."

The PERTAMINA director for the Kalimantan area, Engr Witjaksono Gardjito, acknowledged that oil reserves in operations areas in Kalimantan and Sulawesi are in fact steadily declining. The hundreds of oil wells in production, however, do not cover all the fields and basins in the five basins that stretch from Natuna, West Kalimantan, to the edge of East Kalimantan, namely the Melawi, Kutai, Tarakan, Barito, and Asem Asem Basins.

"We continue to explore and to look for new oil reserves," said Witjaksono.

PEMBARUAN and 12 other reporters who made the special 5-day "oil tour" obtained information from oil people that oil reserves in Kalimantan are estimated at 3 billion barrels and that 1.6 billion barrels have been

produced. There are 21 trillion cubic feet of gas reserves, and only 5 trillion have been exploited, leaving reserves of about 16 trillion.

These estimated oil and gas reserves apply to fields that have been worked but not to oil and gas resources that are believed to exist but have not yet been exploited.

#### 10 Years

Engr Yanuardi Mazir, chief of the Production Department of Total Indonesia (France), said gas is the future of production-sharing companies that operate in off-shore contract areas. He estimated that only about 10 years of oil production are left at the three Total oil and gas fields, which are Handil, Bakapai, and Tamboro. Gas discoveries, however, give hope for more than 25 years. He estimated that there are 50 trillion cubic feet of gas in the three fields.

Total's oil wells have produced 156 million barrels of the 176 million barrels in existing reserves. But people in Total, who hope to extend their contract, which ends in 1992, think that oil reserves in their work areas exceed the estimates. "Each new drilling always finds an oil source with potential," they say.

In a separate interview at Muara Badak, Huffco's production area manager at Badak, H. Arifin Bakrie, said that their work area of 150 by 60 kilometers, which includes the Nilam, Badak, Wailawi, Mutiara, and Pamaguan fields, now tends more to the production of gas as primary. The Huffco fields constitute the largest supplier for the LNG Bontang and Pupuk Kaltim [East Kalimantan Fertilizer] trains, providing 80 percent of all the gas requirements of the natural gas processing plant and fertilizer factory at Bontang.

Huffco produces 1.8 billion standard cubic feet of gas per day, to which the Badak field is the largest contributor with 1.02 billion cubic feet of gas and about 15,000 barrels of oil per day. Arifin said the volume of gas can be increased, and, in fact, the Huffco, Total, and Unocal reserves, from Unocal's Yakin field to its Santan field and Huffco's Sambera field, will be able to supply up to eight LNG trains and more than five fertilizer trains.

"I agree that gas, which so far has been merely an alternative product, will become the future primary product of oil and gas fields in Kalimantan," said Arifin.

The Unocal production manager at Tanjung Santan, Engr Alex Setiyono (40), is confident that gas represents the future. Unocal research data from Unocal fields at

Yakin, Sepinggan, Attaka, and Kerindingan show that natural gas reserves are very great. "I am sure that gas as an oil replacement will no longer be an alternative reserve," said Alex.

Unocal's output is 65,000 barrels of oil per day: Attaka off-shore production, 45,000 barrels; Yakin, 8,000 barrels; Sepinggan, 8,000 barrels; and Kerindingan, 1,000 barrels. Its gas production is 162.9 million cubic feet (MMCFGPD) [million cubic feet of gas per day]. Alex declined to give a picture of oil and gas reserves in his fields but emphasized that Unocal is clearly feeling the future importance of gas through its exports to Japan of about 3,000 barrels of LPG per day. The rest of the gas is taken to Bontang for LNG and for the Pupuk Kaltim plant.

The director of the PERTAMINA Kalimantan Unit, Engr Witjaksono Gardjito, said on a separate occasion that the output of the Kalimantan Unit is 208,320 barrels per day: PERTAMINA itself, 11,000 barrels; Tipco, 4,990 barrels; Unocal, about 64,000 barrels; Huffco, 28,000 barrels; and Total, 98,000 barrels.

Gas output is 1.6 billion cubic feet (MMCFGPD) [as published] per day: PERTAMINA, 47 million cubic feet; Tipco, 2.6 million cubic feet; Unocal, 162.8 million cubic feet; Huffco, 1.2 billion cubic feet; and Total, 193 million cubic feet.

Engr M. Marbun, general manager of PT [Limited Company] Badak NGL [Natural Gas Liquids], who handles the LNG train at Bontang, told reporters on the "oil tour" that he feels gas reserves now supplying LNG Bontang will not be depleted for decades to come. In fact, they will still be able to meet the demands of LNG Bontang when it is expanded to as many as eight trains.

Bahtiar Effandy, of PT Pupuk Kaltim, said that Pupuk Kaltim will be expanded by five or six more units and that its gas needs are supplied by PERTAMINA.

"These fertilizer plant units need very little LNG. One LNG unit can supply five fertilizer units," Bahtiar said. In view of PERTAMINA reports, however, he is confident that gas reserves are large enough to supply fertilizer plants until whenever.

This is also true of the Bunyu Methanol Plant, which is supplied directly by PERTAMINA and Tipco. Bunyu Methanol, which produces 360 tons of methanol per year, uses gas. PERTAMINA sources told PEMBARUAN that gas reserves at Tarakan and Bunyu can guarantee supply to the methanol plant for 30 to 50 years or more, even when the Bunyu Methanol Plant is expanded.

**Justice Minister Leads Delegation to France**  
*Vientiane PASASON in Lao 2 Jan 89 p 1*

[Excerpt] (KPL) In the afternoon of 31 December 1988, a delegation from the LPDR Ministry of Justice led by Justice Minister Kou Souvannamethi left to take part in a meeting of justice ministers from Francophone countries. The meeting is to be held in Paris, France from 5 to 7 January 1989 with more than 40 justice ministers participating.

This meeting will involve study and discussion concerning the training of cadres in legal matters and exchanges between cadres as well as documents. The LPDR Justice Minister has also received an invitation from the Chairman of the Francophone Law Association to participate in a meeting of the Association of Francophone Lawyers which will be held in early January, 1989 in Paris.

**Australian Government Supports Irrigation Project**  
*42060025a Vientiane PASASON in Lao*  
*25 Nov 88 pp 1, 4*

[Text] A ceremony was held on 23 November at the Ministry of Agriculture and Forestry to sign a memorandum on aid from the Australian Government. Australia will provide aid for the machine repair shop project, third phase, and continue to support the Lao irrigation project.

Mr Philip Jackson, the Australian ambassador to Laos, and Mr Sitaheng Lasaphong, the deputy minister of agriculture and forestry, signed the memorandum on behalf of their governments.

Based on this memorandum, the Australian Government will provide more than \$10 million [Australian dollars] to support these two projects over the next 5 years, that is, through 1992. Of this, \$7 million will be spent on the heavy machinery repair plant. The remaining \$3 million will be used for the irrigation project. Some of the money will be used to construct dikes, third and fourth phases, build a water drainage system, and supervise the Lao-Australian irrigation project, which consists of three water pumping stations around Vientiane City and Province. To date, water has been pumped to irrigate 3,600 hectares during both the rainy and dry seasons.

**Commentator on PRK Emissary Visit, Cambodia Solution**  
*42060025b Vientiane PASASON in Lao 10 Dec 88 p 3*

[Article by Loet Saisana: "The Cambodia Problem Must Be Solved Based on a Policy of National Reconciliation"]

[Text] It now seems that a political solution will be found for the Cambodia problem. Actually, it is the Cambodian people who must solve this problem, because that is their right. That is the correct way to solve this problem. That would be more constructive. But it must be understood that solving the Cambodia problem involves two separate

but related problems, as was discussed at the unofficial meeting held in Bangka, Indonesia, that is, having Vietnam withdraw its troops from Cambodia and preventing the criminal Khmer Rouge from returning to power.

During his talks with Mr Kaysone Phomvihane, the general secretary of the Lao Party Central Committee and the premier of the LPDR, Mr Dith Munthi, the deputy foreign affairs minister of the PRK and the special representative of Mr Hun Sen, the premier and foreign affairs minister of the PRK, suggested ways of solving the Cambodia problem by political means based on the PRK's policy of national reconciliation. Mr Hun Sen stressed this at a meeting with representatives of the CGDK.

This policy of national reconciliation, which was announced on 3 November at Fere-en-Tardenois, France, mentions three points concerning building a peaceful, independent, democratic, and neutral Cambodia. As for solving the Cambodian problem by political means, it was stated that the various Cambodian factions, excluding the Pot Pot faction, should stop being enemies and work together politically. Cambodians can return home. The four Cambodian factions have agreed to form a Council of National Reconciliation. Prince Sihanouk will serve as the president of the council. There will be three vice presidents. The council will stipulate the form of the election and prepare ballots, hold a nationwide election, draft a constitution, and establish committees to monitor the various activities stipulated.

This is a reasonable policy that has received widespread support throughout the world. Even though the Khmer Rouge oppose solving the Cambodia problem peacefully, with an unswerving attitude, on behalf of the PRK, at an interview following the meeting with the representatives of the CGDK on 8 November, Mr Hun Sen said that the "boat has left the dock without the Khmer Rouge. But the Khmer Rouge can still come aboard if they want to. We would welcome their participation in solving this problem."

The LPDR supports solving the Cambodia problem by political means. During a meeting with Mr Dith Munthi, Mr Kaysone Phomvihane praised the results achieved at the meeting between Mr Hun Sen, Prince Sihanouk, and Son Sann in Paris. This was an important step forward in reaching a political solution in accord with the PRK's policy of national reconciliation. On behalf of the party, government, and people of Laos, Mr Kaysone said that Laos will continue to support the PRK in its efforts to solve the Cambodia problem using political means. Laos will join with the PRK, Vietnam, the Soviet Union, and other friendly countries in trying to find a way to solve this problem as quickly as possible, which will help bring peace and stability to and foster cooperation within Southeast Asia.

**Phoune Meets UN Undersecretary General on Cambodia, PRC**

42060034 *Vientiane PASASON in Lao 19 Dec 88 p 1*

[Excerpt] (KPL) In the morning of 17 December, at the Ministry of Foreign Affairs, Vice Chairman of the Council of Ministers and Minister of Foreign Affairs Phoune Sipaseut received UN Undersecretary General Ahmed Raffiudin who is responsible for Southeast Asian affairs.

On this occasion, Phoune Sipaseut showed his pleasure with Mr Ahmed Raffiudin's visit and reported on Laos' political and economic situation as well as the LPDR's foreign policy on certain regional and world issues, especially regarding a political solution to the Cambodia problem and the promotion of good neighborly relations which have always been in existence between the Lao people and those of Thailand and China.

**SRV Involved in Gypsum Business Deal**

42060025d *Vientiane VIENTIANE MAI in Lao 26 Nov 88 pp 1, 4*

[Text] A ceremony was held on the afternoon of 25 November 1988 at the Ministry of Industry and Handicrafts to sign a cooperative business agreement. The agreement was signed by Mr Phanom Phutthakeo, the head of the Lao Mining Company, Ministry of Industry and Handicrafts, and Mr Nguyen Van Thien, the head of the Federation of Cement Plants, Vietnamese Ministry of Building. The ceremony was attended by the senior cadres of the Ministry of Industry and Handicrafts concerned and representatives from the Vietnamese embassy in Laos.

In signing this agreement, both sides agreed to carry on joint gypsum mining operations in Laos and extract 25,000 tons by the end of 1988. They also set standards for implementing the 1989-1990 plan. In 1989, the target is to extract 100,000 tons of gypsum, and in 1990 the target is 140,000 tons. Vietnam will provide materials and equipment, and Laos will ensure that the stipulated amounts are extracted.

**SRV Cooperates in Savannakhet Gypsum Mine Operations**

42060026b *Vientiane PASASON in Lao 5 Nov 88 p 2*

[Article by Phu Attama: "Ten Years of Cooperation"]

[Excerpts] The Gypsum Survey and Extraction Industry quarry at Dong Hene in Savannakhet Province is an operation that is being carried on jointly by Laos and Vietnam. Operations are being carried on by the Lao Mineral Research Company, Lao Ministry of Industry and Handicrafts, and the Gypsum Plant of the Federation of Cement Plants, Vietnamese Ministry of Building. Based on the agreement signed by the two ministries, Vietnam has loaned Laos the capital for building this

quarry and carrying on operations on a long-term basis. No interest will be charged. Vietnam has sent cadres and technical workers to help implement the project.

The Gypsum Survey and Extraction Industry began conducting surveys in 1977 and began carrying on production activities in 1978.

On 26 September 1988, the cadres and workers of the Lao Gypsum Survey and Extraction Industry and the cadres and workers of the Vietnamese Gypsum Plant held a ceremony to celebrate 10 years of cooperation in carrying on operations here. On this occasion, Mr Bounliang Naisavan, the director of the Lao Gypsum Survey and Extraction Industry, discussed the achievements scored during the past 10 years. He said that [passage omitted] during the past 10 years, the quarry has extracted more than 554,878 tons of gypsum. This gypsum has been used to satisfy the needs of various domestic and foreign industries and handicraft plants. In particular, gypsum has been sent to the SRV. Along with this, we have also given attention to building various projects to facilitate the extraction and distribution of gypsum and to making technical inspections. [passage omitted]

Mr Trach, the Vietnamese co-director of the gypsum quarry, said that when Laos and Vietnam first began carrying on joint operations here, this area was a remote jungle area. About 50 families of the old system lived in this depressed area. [passage omitted] This quarry is a symbol of the progress that we have made and of the success of the cooperation between the Lao and Vietnamese companies. New production units were established. Now, we have skilled cadres and workers. We now have sufficient manpower to carry out the tasks assigned by higher echelons in order to exploit our valuable natural resources, provide additional materials for society, and help our two countries to prosper.

Mr Trach also said that during the period that the Vietnamese workers carried on extraction activities, the Lao workers provided support. During the period 1980 to 1985, the quarry extracted a total of 358,534 tons of gypsum. During the period when the Lao workers carried on extraction activities, the Vietnamese workers provided support. From 1986 through the first 6 months of 1988, the quarry extracted 190,000 tons of gypsum. [passage omitted]

**Bokeo Officials Sign Gem Mining Accord With Thai**

42060025e *Vientiane VIENTIANE MAI in Lao 12 Dec 88 pp 1, 4*

[Text] A ceremony to sign an accord to carry on joint gem mining operations in Houai Sai District, Bokeo Province, was held on 9 December 1988 at the Ministry of Industry and Handicrafts. The accord was signed by Mr Phanom Phutthakeo, the managing director of the

Lao Mining Company, and Mr Monthian Bamrunghaphanitthawon, the manager of the Monthian Thong Company Ltd, which is a subsidiary of the Thai Agro-Industry and Trade Friendship Company. The ceremony was attended by senior cadres of the Ministry of Industry and Handicrafts and the Ministry of Trade and others involved with foreign trade. Also attending were representatives from the Thai embassy in Laos. The accord stipulates that initially, the two sides will gather geological data and study methods of cutting and polishing gemstones. For the long term, the two sides will invest jointly in establishing an enterprise.

#### **Wood Processing Pact Signed With Thai Company**

BK2301110989 *Vientiane KPL in English*  
0926 GMT 23 Jan 89

[Text] Vientiane, January 23 (KPL)—An agreement on joint investment in wood processing between Lao and Thai companies was reached here on January 20.

The agreement stipulates that 70 per cent of the finished wood items are for export.

This business undertaking is estimated to cost 150 million kip (Lao currency), out of which 40 per cent is funded by Laos. The enterprise will function 10 years. The signatories were, on the Lao side: Bounthavi Louang-amat, director of the Vientiane Wood Processing Enterprise, and, on the Thai side: Si Wongwiset, director of the Serian Inter Company of Thailand.

#### **Private Sector Role in Savannakhet Trade, Problems**

42060020a *Vientiane PASASON in Lao* 2 Nov 88 p 2

[Article: "How is Trading in Savannakhet Province in Mid-1988?"]

[Excerpts] Mr Bounnong Vongphachan, member of the provincial party standing committee and chief of the provincial planning and finance section, told us that in the first 6 months of 1988 several previously confusing trade problems had been solved, for example, shortages of goods in the markets, illegal trade, investors who are afraid and sometimes do not put money into trading, etc. Last year the amount of goods in circulation was only 2.3 billion kip. This year it increased to 11.2 billion kip. In the first 6 months of this year over 2 billion kip of goods has already been circulated. This figure includes state trade and private-sector partnership trade. There are now over 20 state-private partnerships throughout the province, mainly in the municipal area, which has become a center for goods circulation and exchange within the province, for other provinces, and for abroad. As a result, there has been a steady expansion in the Savannakhet Province socioeconomy. [passage omitted]

Besides the competition for markets to purchase and distribute goods, there are many discouraging problems,

for example, competition in decreasing import prices. The outstanding ones are the state-private partnership that runs the import-export business. There has also been many types of avoidance of tax payments required by state regulations, and this is considered cheating by the authorities.

Mr Bounnong Vongphachan added that in order to solve the problems, from now on the sections involved, tax, police, economic and state planning, trade, finance and others, must pay attention to checking the registration of those who run businesses, stop the smuggling, and be firm in terms of prices for imported goods in order to avoid cheating. If we do not circumvent these problems with determination, goods circulation and currency cannot serve society freely, legally and with justice for consumers.

#### **Xieng Khouang Party Chief Admits Poor Management**

42060025c *Vientiane PASASON in Lao* 8 Dec 88 p 2

[Excerpts] [Passage omitted] On a trip to Xieng Khouang, I was fortunate to have a chance to interview Mr Khamban Philavong, a member of the party Central Committee, the secretary of the Provincial Party Committee, and the chairman of the Xieng Khouang Provincial Administrative Committee. After discussing various goals, Mr Khamban talked about some of the problems and weaknesses: [passage omitted]

"Actually, Xieng Khouang Province has many problems. Many tasks have not been completed, and there are many cultural problems. The province's economy is still weak, and the cadres in the various sectors lack skills. There is a lack of creativity. One problem that has been ignored is the matter of defending the municipalities. The cadres, soldiers, police, and guerrilla units lack an awareness of being the masters of the country. This has given our enemies an opportunity to stir up trouble, which happens quite frequently. Reporters should disseminate this information to people, which will help solve the problem.

"There are still some cadres who are directly concerned who are unhappy about this. That is only natural. But it is essential to know what the strengths and weaknesses are." [passage omitted]

#### **Column Cites Problems, Weaknesses in Economic Reforms**

42060026c *Vientiane PASASON in Lao* 5 Nov 88 p 2

["Problems That Should Be Solved" column: "State Enterprises Must Be Strengthened, Problems Solved"]

[Excerpts] [Passage omitted] Production in our country has made progress and improved, and efficiency has increased. [passage omitted]

But along with the good points, there are also many weaknesses stemming from the changes in production.

For example, a number of state enterprises have done things improperly in taking control of operations. This shows that they have not stipulated the salaries and unit prices of goods or determined the amount of profit to be turned over to the state in a suitable manner. Salaries are inappropriate with respect to the amount produced and the three interests. At some state enterprises, the work has not improved. Profits have remained flat, and the amount delivered to the state has declined. But salaries have increased greatly. Some places have set salaries too high without reason. At some places, salaries have reached 100,000 kip per month. At some state enterprises, salaries have increased four or five times, but production has only doubled or tripled. And at some places, production has not even doubled. Furthermore, production has not followed the plans. Profits have not increased very much, and the enterprises have not been able to deliver profits to the state. But the salaries of the workers have increased greatly.

Besides this, there are liberal trends at many state enterprises, which is illegal. They are not doing things in accord with the regulations stipulated. The economic and technical targets of the production units are inappropriate. There is waste in managing things. Salary levels have been raised too high. Much money is wasted in receiving visitors, holding banquets, and travelling abroad. As a result, the cost of the goods produced by the units has increased. The cost of state goods is higher than that of goods on local markets. This has made it difficult to sell these goods. Capital is revolving more slowly, profits have declined, and the amount of money turned over to the state has declined. Some state enterprises are too large. There are 15 to 18 different units, which is too many to be managed effectively. Because of this, not only are these state enterprises inefficient, but they are losing large sums of money.

Concerning these problems, at the second conference on business reform, Mr Kayson Phommavanh, the general secretary, clearly said that the state enterprises must review their operations and take steps to solve the problems. A company should not have a large number of subordinate units, especially when the subordinate units are engaged in a different type of activity. For example, feed production and animal husbandry activities should be kept separate. Reciprocal-type management in the state enterprises must be eliminated. Things are not being done in accord with the orders. As a result, during the first 6 months of the year, the Animal Husbandry and Agricultural Company lost 13 million kip. Other state enterprises have lost varying sums of money, too. [passage omitted]

#### **Bank Approves Baht Accounts**

BK1901021989 Bangkok *THE NATION* in English  
19 Jan 89 pp 13, 24

[Text] The Bank of Thailand, supporting efforts to expand Thai-Lao trade, has given the go-ahead to local

commercial banks to open baht accounts for Laotians in this country so that financial transactions can be conveniently made.

The move is in response to the growing interest of the Thai businessmen wishing to crack the Indochinese markets, which might include Vietnam in the future. Earlier this month, two delegations, one led by Foreign Minister Sitthi Sawetsila and the other by Commerce Minister Subin Pinkhayan, headed to Vietnam and Laos respectively to explore the business opportunities in those markets.

The Bangkok Bank and the Thai Farmers Bank look more active than other banks in trying to expand their credit services to cover trade between Thailand and the Indochinese bloc. Before making the trip to Laos, Narong Sisa-an, senior executive vice president of the Thai Farmers Bank held talks with Chawalit Thanachanan, the central bank deputy governor, on the prospect of doing banking business in the socialist country.

Chawalit reportedly agreed to the idea that the baht can be used in import and export of goods from Laos through baht accounts opened at local commercial banks. That will make it possible for Laotian businessmen to transact the money to and from their country.

At present, the Thai-Lao trade is conducted in US dollars. The central bank agrees that the baht can be used to replace the dollar in the event of the opening of letters of credit.

If the baht account policy is to be applied with the whole Indochinese bloc, the Finance Ministry should issue an announcement supporting the move.

The central bank, however, does not agree with the effort to set up bank branches or representative offices in the Indochinese markets, because of high risks involved. It suggests that the commercial banks can rely on the correspondence banks at this stage while looking at future prospects.

Suwit Wangli, as chairman of the Board of Trade of Thailand, said potential is high for Thailand to start official trading with Vietnam, which is more than ready to buy all kinds of products from Thailand.

Since Vietnam has undergone decade-long hardships due to wars, its economy is in a shambles. Suwit said under the circumstances, the Vietnamese business enterprises might be given credits up from three to 12 months before the full amount of goods are paid.

He said Thailand will have to review the risk on trade with Vietnam, which is badly in need of technology transfer Thailand [as published], particularly in the livestock industry.

**Domestic, International Airline Contract Signed**  
*BK3101132289 Vientiane KPL in English*  
0912 GMT 31 Jan 89

[Text] Vientiane, January 31 (OANA-KPL)—“Lao-Pacific Airline” is created following the signing of joint venture of the Lao-Brunei Company.

According to the contract, the launching of the domestic air service within Laos will start on May 1, 1989, while the links between Lao capital and other countries will start on July 1, 1989. Before the launching of the services, air landing strips in Laos will be inspected by technical teams.

The agreement also stipulates that the foreign investors will also help train Lao pilots and technicians.

The domestic air service is in the form of joint venture, whereas the international lines are in the form of fully foreign investment. This is in line with the Lao Code of Foreign Investment passed last year by the Supreme People's Assembly.

Signing the contract were, for the Lao side, Dr Anan Pasasai, head of the Lao technical team, and retired General Nuan Chanti, representing foreign investors from 16 countries.

**One Hundred Refugees Repatriated From Thailand**  
*BK22011529 Vientiane Domestic Service in Lao*  
1200 GMT 21 Jan 89

[Text] The administration and authorities of Champasak Province received 100 Lao refugees from the Thai authorities at Chong Mek border pass on the Thai-Lao border last Thursday afternoon [19 January]. The refugees requested repatriation after having come to understand the situation in Laos and the Lao Government's domestic policy. This batch of refugees comprised 7 families—28 persons—from Saravane Province and 18 families—72 persons—from Champassak Province. They are now being taken care of by their respective local administrations so that they can build a new life and live with their relatives again.

**Bank Official on Loans, Bad Debts, Interest Rates**  
*42060026a Vientiane PASASON in Lao 5 Nov 88 p 2*

[Article by K. Thammavong: “How Can We Borrow Money?”]

[Text] Borrowing money from banks is not an ordinary matter. Both the borrower and the lender must understand the agreement and act in accord with the principles of borrowing in order to prevent problems from arising.

In order to prevent problems from arising with customers, since the change in trial business on 14 October 1988, the Vientiane City Bank has taken steps to

improve its management based on the spirit of socialist banking activities. Based on this, lending principles have been modified.

Mr Khamdi Thirakun, the deputy director of this bank, explained the principles and conditions in making loans. He said that every economic sector has the right to borrow money from the bank. Loan projects must be economically and socially viable. In making loans, there must be credit plans based on the overall plans of the business units. In making loans, the bank must consider its sources of funds. Targets must be set in loaning money. After loans have been made, the bank must monitor the use of the money based on the conditions agreed on. There must be suitable collateral to guarantee that the loans will be repaid within the period stipulated. Interest must be paid, and fines will be levied in cases in which one side violates the conditions agreed on. The conditions for making loans are as follows: Those who want to borrow money from the bank must be individuals or juristic entities engaged in legal activities. Enterprises that borrow money from the bank must be juristic entities that are financially independent and that are in charge of their activities. Also, they must carry on operations in accord with state regulations. Borrowers must have a certain amount of capital already before they can take a loan, with the bank making up the difference between the amount they have and the amount needed to carry on operations. They must submit a business plan and a statement of their financial position to the bank so that the bank can evaluate the economic feasibility of the project and ready sources of capital. They must accept the bank's credit and facilitate the bank's efforts to monitor the use of the money loaned during every loan period. A contract must be signed based on the principle of both sides making a profit. This must be done in order to guarantee the rights and interests of customers in depositing and withdrawing funds and repaying loans in order to develop the economy and society based on the lines and policies of the party and state and to eliminate the old methods of carrying on activities and the apparatus of the old monopolies. Because of these old methods, the bank has been unable to collect the money owed it. The bank is still owed several hundred million kip, which has not been repaid on schedule.

The Vientiane City Bank has also set new interest rates so that these are in accord with the actual situation in transforming the bank to a business activity. In particular, the bank's interest rates have been divided into short, medium, and long-term rates. There are four types of short-term loans of less than 1 year: loans for production—agriculture and forestry, 10 percent a year; loans for production—industry, handicrafts, transportation, and construction, 12 percent a year; loans for trade and services, 15 percent a year; and loans for cultural and social business activities, 15 percent a year. There are also four types of loans for medium- and long-term loans (1-7 years): loans for production—agriculture and forestry, 6 percent a year; loans for production—industry, handicrafts, transportation, and construction, 8 percent a year; loans for trade and services, 10 percent a year; and loans for cultural

and social business activities, 10 percent a year. The bank has also set interest rates on deposits as follows: There is no interest on daily deposits. For savings deposits, the rate is 3.2 percent a year. For a 6-month certificate of deposit [CD], the rate is 10 percent a year; for a 12-month CD the rate is 14 percent a year; and for a 24-month deposit, the rate is 18 percent a year.

Since we first began carrying on such business activities, services have improved greatly. For example, work that formerly took 1 week to complete is now done in 1 day. During the past month, the Vientiane City Bank loaned more than 70 million kip. But there are still many things that need to be learned and corrected in order to improve services and make preparations for expanding operations.

### **Bad Debts, Bad Management Plague Business, Banks**

*42060020e Vientiane PASASON in Lao 12 Nov 88 p 2*

["Goods And Currency" column: "Debts Between Banks and District Stores"]

[Text] Comrade Savan Souvanasing, chief of the general stores in Saithani District, Vientiane Capital, could not avoid being questioned by reporters after he confessed that "the store is 24 million kip in debt, including 16 million kip in debt to the Vientiane Capital Bank. However, there are many people who owe the store money. Whenever we go to borrow money from the bank, we are told to pay off our debts first."

It is a sad situation when we consider the reason for the debts and the actual case, because the majority of debtors are co-ops scattered about, and many of them are no longer in business. Some people have completely disappeared. The board of directors for the store had to be strengthened, and documents were scattered with some lost. The new board of directors refuses to be responsible for the debts of the previous one. The co-ops themselves had allowed the people to take merchandise before paying. They remember only some of those who took merchandise. Some of the money they did make was spent improperly. The administrative committee at one time called a meeting of the debtors and told them it was urgent that their debts be paid, but nothing really changed. It was sad when inventory was taken and we found one shoe of a pair, and if there were a pair they were old and large and chewed up by termites. The store had a small [electrical generator], but the machine had been sold.

Chronic debts were carried along. First, there were two levels of trade, the center and Vientiane Capital, and this is when the debts began. Later there was a plenum to

allow the district stores to be independent, and this was when the capital store had to give in to the district store—the store, the merchandise and the debts. The district store had to accept everything, whether they wanted to or not. They had no choice. It was not clear why those who were responsible for the district level were willing to accept the terms and were willing to borrow money from the bank to pay off the debts at the capital level.

When they actually took over the business they faced a serious problem in that most of the merchandise could not be sold. It was at that time that the policy to expand the economy and trade reached the area. The store could not get the former debtors to pay off their debts, and thus the chronic debts dragged on. Finally, when those who were responsible for the store became braver they would borrow more money from the bank, but again they could not pay it back, and their debts increased. Some wanted to borrow even more, and spoke negatively about the bank when it refused to let them borrow. Comrade Khamdi Thilakoun, assistant director of the Vientiane Capital Bank, explained: "How can we allow them to borrow more? We have already allowed them to borrow several times, and they could not pay the money back, so that the debt increased, not to mention the interest. They could not even pay back the principal. Another thing to consider is where will the bank get the money from? A source of money for the bank is savings deposited by the people, offices and organizations. If there is only borrowing with no paying back, where will the bank get money to pay back the owners when they want to withdraw it?"

In studying this problem everyone seems to blame the old ideology. However, those who are responsible for a task must also be responsible for any shortcomings. We must understand that we engage in trade because we want a profit and to be able to sell goods. However, Comrade Savan, who is responsible for this task, does not know how to solve the problem because it is too confusing. The bank is confused because it is developing its ability to change to a business. The debt owed by the bank is nearly 500 million kip. In the meantime, the bank has also noticed that chronic unresolved debts are occurring in government employee stores of different ministries. The ministers should check and find ways to stop the problem before it is too late.

There is widespread indebtedness, spending of money on frivolous things, inaccurate receipts, and mismanagement of money. There are districts that cut many trees for selling, yet they lack nurseries and kindergartens. Some primary and secondary schools are in a state of disrepair and, as we mentioned previously, no one is responsible for it.

**Public Opinion Poll Rejects Marcos Return**  
42000080c Manila *THE MANILA CHRONICLE* in  
English 4 Jan 89 p 6

[Text] Sixty-one per cent Filipinos surveyed by the Asia Research Organization last November were against the return of former President Marcos.

The nationwide public opinion poll, which covered 2,000 respondents, also indicated that 38 per cent favored the return of the former ruler. The remaining two per cent gave a "don't know" answer.

The results of the ARO survey on Marcos was released yesterday by the office of Press Secretary Teodoro Benigno.

Vice President Salvador Laurel recently asked the Government to allow Marcos to return, but this was rejected by President Aquino for security reasons.

The ARO survey showed that most of the respondents in the Ilocos and Cagayan regions favored Marcos's return, while most of the respondents from the rest of the 11 regions were against it.

The poll also indicated that 77 per cent of the respondents favored the idea that Marcos should be tried for crimes against the Government, while 19 per cent were not in favor. The remaining five per cent gave a "don't know" answer.

Most respondents from the country's 13 regions, including the Ilocos and Cagayan Valley, agreed that Marcos should be tried.

Marcos and his cronies are facing civil suits filed with the Sandiganbayan for ill-gotten wealth. But no criminal charges have yet been filed against him.

Seventy-five per cent of the 2,000 ARO respondents believe Marcos is guilty of the charges levelled against him, while 17 per cent think he is not guilty.

The remaining nine per cent gave a "don't know" answer.

In the Ilocos region, 39 per cent of the respondents perceive Marcos as being not guilty of the charges, while 37 per cent think he is.

**KMU Urges Allies To Renege Agreement With Government**  
42000080b Manila *THE MANILA CHRONICLE* in  
English 3 Jan 89 p 10

[Article by Patrick Paez: "KMU Opposes Joint Liaison Group"]

[Text] The Kilusang Mayo Uno [KMU] is urging its allies in the Labor Advisory and Consultative Council (LACC) to abandon its memorandum of agreement on industrial harmony they entered into last November with the departments of defense and labor.

The agreement provides for the creation of a joint labor-defense liaison committee to monitor the peace and order situation in the labor front.

The committee was a brainchild of LACC leaders who saw it as a solution to the mounting cases of trade union repression suffered mostly by KMU affiliates.

Secretaries Fidel V. Ramos of the defense department and Franklin Drilon of labor as well as LACC's rival—the conservative Trade Union Congress of the Philippines (TUCP)—signed the agreement in Nov. 22 last year.

KMU was the only LACC member to reject the agreement. Those who signed it were the Lakas Manggagawa Labor Center, the Federation of Free Workers, the Philippine affiliates of the World Federation of Trade Unions (WFTU) and the newly-formed Independent Labor Alliance of Workers (ILAW).

KMU chairman Crispin Beltran said that it was "disturbing" to find the military, which he implicated in the killing of KMU stalwarts Rolando Olalia in 1986 and Oscar Bantayan in 1988, as "party to such an agreement."

LACC members, he argued, should be consistent with their policy of opposition to Batas Pambansa 130 and 227 on "free ingress and egress" and what they claimed was the "total war policy" of President Aquino on "illegal barricades" by likewise rejecting any agreement with the military.

"It should be emphasized that LACC is not a party to such an agreement owing to the fact that no consensus was reached," Beltran said in a letter to his colleagues.

**Columnist Interviews Honasan, Perceives Continuing Threat**

**RAM 'Lying Low', Building**  
42000084 Manila *PHILIPPINE DAILY INQUIRER* in  
English 26 Dec 88 p 5

["Leavings" column by Letty Jimenez-Magsanoc: "Honasan revisited"]

[Text] Should you bump into dismissed Lt Col Gregorio "Gringo" Honasan, you'd have to dismiss, too, the grim and gaunt stereotype of hunted men. For his cheeks are fuller. "Wherever I go, it's a small birthday party," he said, very pleased with himself. Where he is people presumably gather to fiesta and feed him, so glad are they to see him.

He's optimistic, confident and enthused plus, plus. The energy appears as buoyant as the humor.

He quoted a colleague's critique on "A Dangerous Life," the made-for-TV movie version of the EDSA revolt as

having as much depth as "the sweat glands on (U.S.) Ambassador Platt's armpits."

What isn't funny is Honasan's crack that his group, the Reform the Armed Forces Movement (RAM), has not been engaged in any destabilizing movement since Aug 28, 1987 which has been, among all other coup attempts so far, the most threatening to the survival of the Aquino administration.

There is no RAM any longer, Honasan had rushed to add. "The RAM is mothballed. We've got a Movement without a name which transcends the boundaries originally perceived to have been set by the RAM. In our Movement, there are no distinctions between reserve officers, regulars, PMAs, loyalists. That's just a word coined by the chain of command that's been very divisive."

The Movement, Honasan stressed, happens to be "lying low" as it has to attend fulltime to "groundwork rather than talk, reaching out to all sectors in the military." He wasn't even supposed to be talking to the INQUIRER, neither as spokesman of the rebel military nor symbol.

(The INQUIRER interview took place two days before the raid on the Honasan family compound last Thursday).

"I've been isolated," he said, "from the nuts and bolts. I will just be told when I should do this or do that, go there or go here. The movement had to stop from projecting me as a personality. Even the junior officers said, 'we don't know what's going to happen. Better downplay your role, spread it because if you're removed, it becomes a major setback.' So even if I get caught, if I get killed, it will still go."

This Movement, revealed Honasan, has a civilian component of "500 managers" composed of young technocrats, businessmen, lawyers and non-traditional politicians. The civilian side, beamed Honasan, has solid structuring unlike the disaster of Aug 28 when there was a lot of groping for who's in charge of this or that.

One of the main jobs of the civilians in The Movement is to obtain and consolidate financial support which then goes to its resource management group for "equitable" distribution. For instance, resources are allocated for families of soldiers underground and in detention and for regular troops for their organization and networking activities.

The structure of The Movement's military component has "a very broad base of young officers and rallying points of general in active service.

"We have a shadow chain of command," Honasan trumpeted, "and it's operating now and it's not even led by generals alone but a collective leadership of military men."

Honasan's meaning is that being too busy strengthening its structures, The Movement can't be bothered with

small-time, doom-to-fail plots such as that allegedly all-civilian mass movement in the dead of a Saturday night three weeks ago. "People power is obsolete. The EDSA revolt was unique. It cannot be duplicated," Honasan said.

"Why should we move now?" We're not under time pressure. Our only race against time is the possible increase in Communist influence. Otherwise, time is on our side." Honasan then went on to enumerate the ages and physical disabilities of the current military and political leadership.

"In a sense, he continued, "Just waiting is already a victory. We're just waiting for the official documents claiming our victory when everybody is already in place."

Besides, The Movement, figures Honasan, need not move. "Without doing anything or coming out in the open, they're doing a good job of self-destructing." "They" refers to the politicians in government and the Armed Forces chain of command who according to Honasan naturally jerk an accusing finger at the RAM boys or the so-called Marcos loyalists or both to explain unexplained movements.

"The only things we've not been blamed for are the sinking of the Dona Paz and the Marilyn, typhoon Unsang and the crucifixion of Jesus Christ," laughed Honasan.

If in truth The Movement is playing the winning game of waiting, who then has been behind those strange though usual movements that the Armed Forces has been on red alert for all these weeks?

#### Potential for 'Bigger', 'More Dangerous' Movement

42000084 Manila PHILIPPINE DAILY INQUIRER in English 4 Jan 89 p 5

["Leavings" column by Letty Jimenez-Magsanoc: "Sensings on Honasan"]

[Text] Two foreign risk analysts met with me to interpret some of the "significant" points they perceived from my interview with rebel Lt Col Gregorio "Gringo" Honasan published here last week.

Honasan has a very fine mind but is self-conscious about his intellect. A true revolutionary must have three things, virtue, valor and vision. Honasan has displayed public virtue and valor but is unable or perhaps reluctant to project a vision. Perhaps, he's boxed in by the expectations and ideals of his constituency which is largely made up of younger officers. Honasan's demands for reforms in the military as products of good government does not make him a visionary. At best, he's a "short-term visionary."

Contrasting with his former Rambo-ish self-image, Honasan, the analysts continued, appears to have been transformed. Their sensing is that he has mellowed, downplaying his leadership role in what he called "the Movement with no name." The hard data available is that Honasan is in fact the first among equals in the Movement's collective leadership.

In this set-up, a junior officer like Honasan can tell generals what to do the way a lieutenant or a major can tell Honasan what to do as officers junior to him did tell him to "lie low" and quit projecting himself as the personality.

Honasan appears more comfortable in his low-key role and therefore makes a more dangerous enemy because he can be more deliberate.

That the Reform the Armed Forces Movement (RAM) is "mothballed" according to the Honasan interview, may reflect a successful coalition with other anti-Cory forces. "There's a bigger umbrella," is how the risk analysts put it.

Sheltered under the umbrella could well include the so-called Marcos loyalists. The Marcos illness could have firmed up the alliance. It may well be that at this point the loyalists could be putting pressure on the Movement to make a play for power to prove to the Americans that their patron in Hawaii still has leverage and clout. This could become the immediate objective of any moves mounted by a RAM-loyalist combine. If such moves are seriously contemplated, they must be a done job before Marcos' scheduled arraignment in New York.

According to the analysts, "the importance of Marcos' dying words" figures into the Movement's grab for power. Should Marcos on his deathbed order his armed followers to align with the Honasan forces, the number game would vastly favor the Movement. The likes of Danding Cojuangco is just a baron to the king. Marcos is still king. What he says goes.

The grab for power is a purely military scenario. The "shadow chain of command" that Honasan said is in place is made up of generals and junior officers. There are no politicians involved. "Note," pointed out the analysts, "that Honasan made a distinction between the Movement's political and civilian component. He stressed it's a civilian rather than a political component. Once Honasan's group moves, it will be purely military-led and should it win, the military victors will become the guardians of the new structures. Any politician seeking links with the Movement will at best be second stringers. The generals and younger officers will not have it any other way."

Honasan is quick to identify the military chain of command as the "immediate threat to the Aquino

administration." What he's doing, interpreted the analysts, is to identify his rivals within the government to promote the goals of the Movement.

Defense Secretary Fidel Ramos could well be the president's political rival now and in 1992. Ramos and others down the chain of command stand in the way of the Movement's ultimate objective. Casting suspicion, for instance, on the loyalty of Ramos, could trigger his ouster depriving him of a base within the military which might be interpreted by the president's people to work in her favor pre-empting a suspected Ramos takeover or later, should she seek reelection in 1991.

With Ramos out, a major obstacle is removed between the Movement and its real target which is the president.

The sensing of the risk analysts excludes a Cory-Honasan alliance. "The enemy is Cory," they declared "as far as this Movement is concerned. The bottomline is power. Honasan and the Movement present themselves as the alternative to Cory Aquino."

**Some Aquino Allies With RAM 'in Spirit'**  
42000084 Manila PHILIPPINE DAILY INQUIRER in  
English 5 Jan 89 p 5

["Leavings" column by Letty Jimenez-Magsanoc:  
"Impressions From an Interview"]

[Text] Yesterday, I noted down the sensings of two foreign risk analysts based on my (renegade Lt Col Gregorio) Honasan interview published here last week. Following are my personal impressions from that same Honasan interview:

1. Honasan stated that should that faction within the military chain of command move against President Aquino, he knows of at least four generals who will mount counter-attacks. But the distinct impression I got is that the four generals in the active service are not necessarily pro-Aquino. Of the four, only one may be classified as do-or-die Cory.

2. Emissaries from all-time politicians of the old as well as the new regime have been wanting to get in touch with Honasan who however has disdained the importuning of traditional politicians. Special contempt is reserved for "Marcos-trained, Cory-developed presidential hopefuls."

3. A retired general has been looking up the Movement (which is how Honasan now identifies his group) but is being "ignored", as during the Aug 28, 1987 coup attempt while still in the active service, this general committed to join the RAM but pulled back at the last minute along with one other general now also retired. The trouble was that the generals could not resolve who was going to be the chief of staff in the event of a RAM victory. In other words, the Aug 28 coup attempt involved more leading military personalities than is generally believed.

4. Certain officers from the higher command are seeking to open lines of communication, if not outright links, with the Movement; bridges are being utilized to connect the Movement to the mainstream military.

5. Political and tactical alignments in the military high command overlap. For instance, a general known for being beholden for his position to the Cory government is actually with the Movement "in spirit." Another general who's with the Movement "in spirit" is being utilized to establish links between military factions.

6. All the above activities of national figures seeking out the Movement or being in, actually or "spiritually," gauge the potency of Honasan's organization and belie the redundant denials of the top brass regarding the capability of the Honasan forces to launch another coup.

7. Whenever the name of Lt Col Reynaldo Cabauatan comes up in connection with any destabilizing movement, you can be sure it's not the Honasan group's doing. My perception is that he's a key player elsewhere but not with the Marcos loyalists either. He appears to be a devoted loyalist only to the color of anybody's money.

8. The Movement is conducting its own investigation of the killing of Lt Col Francisco Baula whom Honasan definitely identified as one of their own men. There was some confusion about Baula's affiliation due to the post-haste appearance of Marcos Loyalist lawyer Oliver Lozano as counsel for the Baula family.

So far, the Movement's findings indicate the Air Force pilot was not in the process of escaping from his Camp Crame stockade when shot by the guards. Honasan appears to believe that the shooting was an "over-reaction" by the guards who had on another occasion forcibly brought down Baula from the stockade's perimeter catwalk when he was really escaping. The official military version of the Baula killing appears to incorporate the cat-walk incident which did not happen on the

night Baula was shot. He was merely relieving himself against the prison wall when shot.

9. When cornered in a Valle Verde condo on Dec 9, 1987, Honasan claimed to have on him about P80,000 payroll money for his men. To date, the money is unaccounted for. There's the possibility that Baula could have been killed for money which, Honasan conceded, is difficult to prove. He pointed to one general as the most "busog" [well-fed] in the entire Armed Forces.

10. The investigators of the Baula killing belong to a multi-service security group, meaning elements from the Army, the Air Force, the Navy, and the PC [Philippine Constabulary]. This is the same multi-service body that provides the Movement's security requirements and "helps spread the gospel" according to RAM.

11. This same multi-service body provides security for Honasan and determines his movements. He's quite relaxed about his personal security that interviewing him was not unlike unhurried social conversation. But still Honasan does not appear to stay longer than a few hours in any one place.

12. Honasan has warm affection for Col Red Kapunan who's under house arrest for his alleged involvement in the Aug 28 aborted coup.

13. The American factor may figure prominently in the policies and decisions of the Movement but it isn't the Main Event. In Honasan's words, "The Americans will anoint whoever has to be anointed." My impression is that he regularly keeps in touch with his American contacts and that the latter are looking out for him. But so are the Americans maintaining a watchful eye over the country's other potential leaders.

14. He projected himself during the interview as though preoccupied in an all-or-nothing proposition. His buoyant self-confidence is nearly un-nerving. He seems fired by the prospect of certain victory. If he was acting, he deserved the Best Actor trophy.

### Columnist Views Philippine Problems, Aquino Shortcomings

42070051a Bangkok SIAM RAT in Thai  
28 Dec 88 p 12

["World at the End of the Year" column by Chaiyawat Yonpiam: "The Philippines in 1988, Still Hasn't Taken the Bay"]

[Excerpts] [Passage omitted] As 1988 draws to a close, the Philippines is not playing a very important role among its neighbors, particularly ASEAN. On one hand, the Philippines must deal with the threat posed by the communist guerrillas, and on the other it must deal with the military factions that are still thinking about staging a coup.

At the beginning of the year, the old dirty politics returned to the Philippines again. During the local elections in January, the godfathers and families of influence during the Marcos era supported President Aquino and seized administrative control of the localities, that is, the political centers in the country's rural areas. [passage omitted]

The year 1988 was the first time that Mrs Aquino had a chance to evaluate the results of her administration after 1,000 days in office.

Political assassinations still occur frequently in the Philippines. This problem has not been solved. Also, the government has not formulated any policy to suppress corruption on the part of government officials. Such corruption is rampant. There have also been reports of serious human rights violations.

Manila has never informed the other members of ASEAN about its long-term plan regarding the future of the U.S. military bases in the Philippines, which are important to this region. Also, no one knows if Mrs Aquino plans to run for a second term as president in her capacity as the person who has gotten people in the country to cooperate with each other.

Analysts have said that after almost 3 years in office, President Aquino has made little effort to solve the problems or formulate lines that can be implemented. And the important thing is that Mrs Aquino lacks vision about the future of the Philippines, which is essential for the Philippines at this moment in time.

### Radio Welcomes Thai-Vietnamese Rapprochement

BK2001094389 Bangkok Domestic Service in Thai  
0530 GMT 19 Jan 89

[Excerpt] By pursuing its stated foreign policy, the government has more or less achieved in creating mutual understanding and cooperation toward solving disputes and conflicts. The Thai foreign minister's visit to Vietnam on 9-12 January constitutes a breakthrough in the

Thai-Vietnamese relations in response to Vietnam's confirmation in trying to resolve the Cambodian problem and restore peace and stability to the region. After having discussions with Vietnam, Thailand gained confidence that there should be progress in the political settlement of the Cambodian problem as well as improvement in economic and trade relations between Thailand and Vietnam. Both sides have no more conflicts concerning steps to be taken in order to work for the future of Cambodia. They have agreed upon the timetable on the Vietnamese troop withdrawal, cessation of foreign interference, and to use the term international control mechanism instead of the term international peacekeeping forces. Anyway, there are some differences left to be thrashed out in future talks.

Dear listeners, the meeting between high-level leaders of Thailand and Vietnam, which has contributed to a better understanding, is therefore a positive step toward peace. It is normal for countries to have problems and conflicts. But those problems will be settled if parties involved are sincere in solving problems. As for the Cambodian problem, this too will be settled if Vietnam pulls out its troops in response to the UN resolution. If Vietnam abides by the rule of public opinion, peace will return to this part of the world. This region has been plunged into war and fighting for a long time. This should come to an end.

### Khukrit Reviews Chatchai-Khmer Rouge Relationship

BK2301102189 Bangkok SIAM RAT in Thai  
19 Jan 89 p 9

["Soi Suan Phlu" column by M.R. Khukrit Pramot]

[Excerpt] [Passage omitted] The Cambodian situation has changed considerably. Vietnam has promised that it will withdraw its troops from Cambodia by the middle of this year and there is no doubt that Vietnam will keep its word. However, the Hun Sen government was established by Vietnam, and is supported by Vietnam sending its troops into Cambodia. If Vietnam really withdraws its troops from Cambodia, the Hun Sen government will be in a weaker position. It is uncertain whether the Hun Sen government has sufficient soldiers to fight the resistance forces along the Thai border when the Vietnamese support is withdrawn.

The biggest problem in Cambodia no longer comes from the Vietnamese presence, but from the Khmer Rouge. Prince Sihanouk, Son Sann, and Hun Sen are all afraid that when Vietnam withdraws its troops from Cambodia, the Khmer Rouge, which has a large number of soldiers and weapons, will retake power in Cambodia.

If the Khmer Rouge resumes the same old Khmer Rouge-style communist administrative system, the situation in Cambodia would get worse, more people would be killed, and it would be tantamount to the Cambodian problem remaining unresolved.

Realizing that the Khmer Rouge will be the problem after the Vietnamese withdrawal, Hun Sen sought to meet with Prince Sihanouk twice in Paris, and was reported to have said that he would accept Prince Sihanouk as the leader of Cambodia in the future.

All parties seem to accept this matter because the Cambodian people are loyal and listen to Prince Sihanouk. They are ready to support him as their leader again. If Son Sann, Khieu Samphan, or Hun Sen becomes the leader of the country, the majority of the Cambodian people would not jointly support them like they would support Prince Sihanouk, and the situation would finally lead to conflict and even fighting among the four factions again. The idea of establishing peace and prosperity in Cambodia through unity and cooperation would be a failure. Cambodia would still be a country with problems which could not be settled. The Cambodian people would continue to suffer, and Cambodian refugees would not be able to anticipate when to return to their homeland.

What will happen to the Khmer Rouge, an important factor in the Cambodian problem, should depend on the decision of China which has been supporting the Khmer Rouge. If China tells the Khmer Rouge to cooperate with the other factions, they are likely to do so.

One thing that most Thai people may not know is that Prime Minister Chatchai was at one time able to get along with the Khmer Rouge and was a trusted friend of the Khmer Rouge.

When the Khmer Rouge toppled General Lon Nol and seized power in Cambodia, Prime Minister Chatchai was foreign minister and I was the prime minister of a government that recognized the Cambodian Government under the Khmer Rouge.

After that, there were commercial contacts between the two countries. At that time Cambodia needed salt to leaven preserved fish, so it bought salt from Thailand.

Later on, Ieng Sary, an important person in the Khmer Rouge, came to visit Thailand as a guest of the government. A banquet in his honor was held at the government house and a private party was held at my house. I had in my possession a pair of boar's tusks, and I gave it to Ieng Sary because I knew that the Cambodian people would like it.

Not long after that, Chatchai, in his capacity as the foreign minister, was invited by the Khmer Rouge to visit Phnom Penh as a guest of the Cambodian Government. I approved Chatchai's trip although I felt uneasy because the situation in Cambodia at that time was uncertain.

There were news reports that after Chatchai's visit to Phnom Penh, the Khmer Rouge invited a British scholar, who had been siding with the Khmer Rouge, to

visit Phnom Penh. After the scholar had been in Phnom Penh for 2 or 3 days, he was shot dead by a gunman for no apparent reason.

I felt uneasy when I thought about this matter. But, I would like to say that Prime Minister Chatchai is a brave person who is ready to make sacrifices and take risks for the interests of the country. What I mean to say is that in Thailand, Chatchai is one of those people who had been acquainted with the Khmer Rouge and who have maintained good relations.

As a result, I think that among the leaders in Southeast Asia, Chatchai is the one who can influence the Khmer Rouge. The other leaders are associated with those opposing the Khmer Rouge.

If there is any one who is capable of contributing to the settlement of the Cambodian problem, I think Chatchai is the one.

#### **Commentator on Diplomatic Impact of Hun Sen Visit**

*BK2201094589 Bangkok MATICHON in Thai  
22 Jan 89 p 3*

[Thira Nutpiam commentary: "Once Again About Thai Diplomacy"]

[Excerpt] [Passage omitted] This writer does not understand why Thailand should rush to welcome a visit of Hun Sen, prime minister of the Vietnamese-installed "puppet" government in Phnom Penh.

Hun Sen's visit could set back Thailand's earlier efforts toward settlement of the Cambodian conflict. It opens the door wider for the Vietnam-Heng Samrin side but could block our own retreat.

Although Vietnam has shown greater compromise moves, such as by agreeing to attend a meeting of the four Cambodian factions and by its repeated statements of withdrawal from Cambodia by this September or by 1990, it apparently has every intention of maintaining the Heng Samrin regime.

The Vietnam-Heng Samrin side not only rejected Prince Sihanouk's proposal for dissolution of the Phnom Penh regime before the general elections in Cambodia, Vietnam has also refused to negotiate with the prince, whom the Thai Government recognizes. This shows Vietnam's resolute recognition of the Heng Samrin government. It feels that a negotiation with the prince could be confused by others to indicate its implied recognition of the prince's government.

A meeting between Thailand and Hun Sen could be interpreted as Thailand's recognition of the Heng Samrin government. Would this not block our own retreat?

Prime Minister General Chatchai said clearly that Hun Sen will have political discussions with him. This writer feels that they will confuse others not only about the search for settlement of the Cambodian problem but also about the principles and implementation of Thailand's foreign policy in general.

Many sectors, including the Government House, have tried to say that Hun Sen's visit carries no implications of recognition of its government; it would be a meeting between "friends." Let us compare this with the Government House's attitude toward the Burmese Government. Legally and truly speaking, we still recognize the Burmese Government because our ambassador is still posted in Rangoon. Yet we are so concerned about whether Deputy Foreign Minister Praphat's proposed visit would imply Thailand's "recognition" of Rangoon. If "going to visit" is any different from "coming to visit," can't we have Gen Saw Maung visit Bangkok instead? He is also a "friend" of several Thai individuals.

This type of confusion about Thailand's principled stand or lack of it could seriously damage the prestige of and trust in our diplomacy in the eyes of other countries. [passage omitted]

#### **Adviser Sukhumphan Discusses Foreign Policy Role**

42070050 Bangkok *KHAO PHISSET in Thai*  
14-20 Dec 88 pp 25-29

[Interview with MR [royal title] Sukhumphan Boriphat, an advisor to the prime minister; date and place not specified]

[Text] [Question] In brief, what are the duties of the prime minister's advisory team?

[Answer] Initially, we viewed ourselves as having three tasks. One is to provide data and advice to the prime minister on various topics. A second is to formulate long-term policies on important issues that we feel require a new policy. The third is to provide data and opinions on current policies or matters that have arisen in response to the initiatives taken by the ministries, bureaus, and departments on cabinet issues. But in actual practice, we have found that we are focusing mainly on the third task. We give advice and provide data to the prime minister to facilitate his deliberations on various matters. This is our main task.

[Question] It is understood that you are using modern technology in your work.

[Answer] We have computers, fax machines, and so on. There are only a few of us and so we need such things to help speed up the work and increase our efficiency as much as possible.

[Question] From where do you obtain most of your data?

[Answer] Ninety-nine percent of our data is public data from various sources such as books and technical publications. There is very little secret data. But what may be different from other government units is that we know what the data are and where to locate the data. And we make good use of the data. Today, data cannot be kept secret. There are huge quantities of data. It depends on knowing where to look and making good use of the data. We try to program things well, and we try to contact and coordinate things with other government units.

[Question] What are your regular weekly duties?

[Answer] On Friday and Monday afternoons, we study the cabinet agenda. On Wednesdays, we evaluate the results. On the other days, we invite people to come discuss matters with us. Sometimes this is done on an official basis, and sometimes it's on an informal basis. It all depends. We want to move forward.

[Question] Do you exchange views with the prime minister's "big team" of advisors?

[Answer] We have talked with Mr Wan Chanchu. We don't have an institute-to-institute relationship. That is, we discuss matters with them on a person-to-person basis.

[Question] There have been comments to the effect that this advisory team has great influence and that it dominates the thinking of the prime minister.

[Answer] That is not true. The prime minister's head is not a vacuum. He has much experience and concrete views on many matters. It would be impossible to dominate his thinking. But there are certain things about which he is unaware. It is our duty to inform him. But he is the one who makes the decisions. We don't have any real influence.

Whenever we propose something, he sometimes asks questions that we can't answer. He is very intelligent. You can't dominate such a person. If we could, we would be in a good position. I probably wouldn't have so many gray hairs. (laughs) I think that people misunderstand this. Perhaps it's because we are close to Professor Kraissak. Some newspapers have said that we were appointed advisors because we are friends of Professor Kraissak. But that is not true. All of us have scored results in our work. It's like a chemical reaction. A good reaction. We work together well. We get along well with each other and are close to each other. This was accidental.

[Question] What upsets you?

[Answer] It's only normal that scholars who work in this field will encounter difficulties. As scholars, we do everything in our own name. If it turns out right, we get the credit. If something goes wrong, we get the blame. We can say whatever we want. But at present, we have to be more careful about what we say. And we are directly responsible to others, too, not just to ourselves. We have

to be careful. I am willing to discuss many things that other advisors will not talk about. There are several things about which we can't talk.

[Question] It seems that this poses a conflict between your role as a scholar and your role as an advisor.

[Answer] In principle, there is a conflict. But we try to prevent conflicts from arising in actual practice. We have to handle things very delicately and be as close to the truth as possible. If we lie or try to protect people in the government, there won't be any advisors. I have never tried to protect the prime minister. This is different from the role of advisors in the past, whose duty was to protect the prime minister. What I have constantly tried to talk about is policy. I want to maintain my position as a scholar.

This prime minister is different from previous prime ministers. He doesn't want anyone to protect him. He is much smarter than any of us. He has risen to the top and fallen and then risen to the top again. He has been through that several times. He can take care of himself. He doesn't expect us to protect him. What he wants us to do is to gather ideas from government units on a broad scale.

What the press should realize is that the credit for the various achievements belongs to the prime minister. We have not achieved anything, because we are not in a position to do anything. Our only duty is to provide advice. If he makes a decision and good results are achieved, the credit belongs to him. He is the one who is responsible. We are not responsible. Thus, the credit belongs to him. Take the visit to Laos, for example. He is the one who thought of that and who made the decision. He is the one who negotiated with Mr Kaysone. We didn't do anything. We are just a tool of his. Some say that we are "key men." I prefer to think of us as "key hands," because the person with the ideas and brains is the prime minister. We are just the ones who cast his ideas in a more concrete form.

[Question] What are the important tasks that you are working on now?

[Answer] We are trying to follow matters that we consider to be important. It depends on the prime minister. One thing that he is very interested in right now is the forest issue. He will take resolute action on the forest issue. We have to assist him in this by providing data and advice. There are two points concerning this. First, we all agree that this is an important problem. This is important, because if people disagree about whether something is a problem, it may be impossible to take action. Second, we shouldn't begin something with the idea that we will fail. We should always have the idea that there is nothing that we can't do.

[Question] Recently, in carrying out tasks concerning foreign policy, the advisory team has been viewed as being

in conflict with the Ministry of Foreign Affairs. Is there any truth to this and what is going on regarding this?

[Answer] I think that such talk is an exaggeration. It's a matter of adjusting to each other. The Ministry of Foreign Affairs has had to adjust to a new administration headed by a prime minister who is very interested in and who has much experience in foreign affairs. We, as advisors, have to get used to working with government units. We are not in an ivory tower or in our own world of thought. We have all had to make adjustments in order to get along. But there have been some problems. Things have not been as smooth as they should have been. And the stories printed in the newspapers have just made things worse. Actually, there aren't any major problems.

[Question] Then things aren't as serious as has been portrayed, is that right?

[Answer] People have asked me how the trip to Laos was. They have asked if I got along with the people from the ministry. I have never had any problems with people in the ministry. The problems that arose happened during the time that I was a scholar and criticized Thailand's foreign policy. But since I became an advisor, I have not made any harsh criticisms. I have just spoken the truth. This prime minister has experience in the field of foreign affairs. He is the head of this government. The various government units have to go along with him. It's not that he is always right. But that is what he is striving for. The units must respond to his wishes. That's all.

[Question] Can it be said that there is still a difference of opinion on foreign policy between members of the advisory team and elements of the Ministry of Foreign Affairs?

[Answer] I prefer not to categorize these as differences. Instead, I prefer to say that we have a different focus. No matter how harshly I have criticized Thailand's foreign policy on the Cambodian issue, I admit that we can't change the policy immediately. We can't stop demanding that Vietnam withdraw its forces.

But at the same time, I and the other advisors feel that we must take steps to improve relations with the Indochina countries. We feel that in the context of an international conflict, we must have a dialogue with the other side. We must try and work things out to the benefit of both sides. That will help reduce the conflict. If we don't negotiate or exchange ideas, problems will arise and the conflict will just grow worse. And at that point, no one will be able to do anything to solve the problems.

The important thing is to have a dialogue, particularly at the leadership level. We must build mutual confidence. The problems can be discussed so that they don't grow worse. This is our point of focus, and I think that other government units now agree. There aren't any problems.

[Question] Thailand is now confronting the Copyright Act problem again. What does the advisory team think about this policy?

[Answer] We are trying to hit the same target. We do not feel that we are stealing from them. It isn't that we shouldn't provide protection. That's not it. We should take action on this. We should have a good copyright law. But it should protect our interests and provide equal protection to all countries, not just to a particular country. Also, it should not include certain things like software, because that is a separate issue. If we include software, that will benefit the United States more than other countries and harm our own interests.

We should look carefully at what we should protect. Those who want to promulgate a law for purposes of negotiating with the United States must be careful that they do the right thing. We place greater emphasis on the process than the result. Actually, this idea isn't much different from that of the Ministry of Foreign Affairs or the Ministry of Commerce.

[Question] Has the focus of the Ministry of Foreign Affairs policy on Indochina changed?

[Answer] The main policy has not changed, and I don't think that we should make any sudden changes. Sudden policy changes could confuse our allies and send the wrong signal to the other side. But our attitude has changed. Minister Sitthi (Sawetsila) is very pleased that Prime Minister Chatchai visited Laos. He is very pleased with the results announced in the joint communique. He will soon visit Vietnam, which is a positive step. I think that things are improving.

[Question] As for the policy of transforming the battlefield into a trade field, about which there is much talk today, isn't this a sudden change in our foreign policy focus?

[Answer] If something changes overnight, that is a sudden change. But that is not the case if this is a long-term goal. This is the first time that Thai leaders have given real attention to the question of how we can get along with Indochina and what our relations with them will be.

Previous Thai administrations usually talked about living peacefully with the Indochina countries. But they did not actually think about this in concrete terms. I agree with the prime minister, who has said that peaceful coexistence with the Indochina countries is not enough. We must try to establish stronger ties, and the best way to do this is to establish economic relations. I think that this is in accord with the wishes of the Thai people.

Peaceful coexistence could lead to a turnaround. That is, each side would refrain from interfering in the affairs of the other, or we could cooperate with each other. But what is clear from the idea of the prime minister is that

we can't just cooperate with each other. We must try to develop our mutual interests, which is the basis for building real peace.

[Question] To what were you referring when you said that the main policy has not changed?

[Answer] Vietnam must withdraw its forces from Cambodia. As the prime minister said, when we go into a supermarket in order to buy goods, we can't take a gun to rob them. If we want something, we must buy it or barter something for it. I think that Vietnam now realizes that expanding power using military means is not right. It is not the most efficient way. They have begun to admit this. We should help them to change their old view.

[Question] How likely is it that Vietnam will withdraw its forces?

[Answer] I think that Vietnam will definitely withdraw its troops. But I am not sure when or under what conditions. Several Thai leaders feel that Vietnam will automatically withdraw its forces. I don't think so. But we must try to convince them to do this. To do this, we shouldn't just apply pressure. We should give them an incentive for withdrawing their forces, particularly through economic benefits. We can do this. Otherwise, they won't withdraw their forces.

[Question] Some people say that cooperating with Vietnam economically is tantamount to raising a tiger.

[Answer] It must be understood that the main element of Vietnam's military power now and in the next 10 years is support from the Soviet Union, not Vietnam's economic base. They are 50 years behind us. Thus, their economic development during the next 10 years will not increase their military might. They need a better quality work force. Where can they get such people? The only place is from the Army, because these people have greater quality than people in other sectors. They have received more education and training.

Vietnam certainly won't be able to catch up with us in the next 10 years. Put simply, if we let them catch up, it doesn't mean that Vietnam is clever. It would mean that we were stupid. Our base is much bigger than theirs. Economic development will reduce the size of their Army, and the incentives for waging war will decline. Because as the size of the middle class grows, who will want to fight? Right?

[Question] The Indochina countries have criticized the establishment of the Thai-U.S. and Thai-Chinese arms depots and the procurement of weapons and war materials by the Thai military. They say that this is going against the tide and that this is destroying the peaceful atmosphere in this region. They say that this is contrary to the policy of transforming the battlefield into a trade market. What do you think about this?

[Answer] The military has its own needs and reasons for this. People can agree or disagree. But what I would like the military to consider is what effect this will have on our relations with other countries. I hope that they will think about this carefully.

But I don't think that these small arms depots will affect relations between Thailand and Indochina. The Soviet Union still has a military base in Vietnam, but there are no foreign military bases in Thailand. There are only these arms depots here. There shouldn't be any long-term problems if we share long-term interests. I don't think that we should look at the negative side. We should look at the positive side, that is, at how to establish joint interests in order to build a more secure peace.

As for that criticism, I think that that is just an act. If they do something, we have to criticize them. If we do something, they have to criticize us. We have been criticizing each other for a long time and nothing has happened. We can continue doing this. The important thing is to improve our relations with each other. Such outbursts are normal.

[Question] Is opening the door to Hanoi different from opening the door to Vientiane?

[Answer] There is a great difference, because we don't have even one dispute with Laos that can't be solved. Take the border problem, for example. I think that this can be solved if both sides have the political will to do this. But the Cambodia problem will be much more difficult to solve, because this is not a bilateral problem between Thailand and Vietnam. It is a problem between the superpowers, and the other ASEAN countries are involved, too. Thus, in opening the door to Hanoi, we must consider the Cambodia problem very carefully. We can't close our eyes and ears and take the plunge. The conditions must be right. We can't demand that Vietnam withdraw its forces from Cambodia before the prime minister will visit Hanoi. That would conflict with the prime minister's desire to get to know their leaders.

[Question] But according to the schedule, Air Chief Marshal [ACM] Sitthi Sawetsila will visit Vietnam before the prime minister. Is the purpose of this to help heal the splits within the government parties?

[Answer] Minister Sitthi said that he would visit Vietnam 8 months after the election. And he raised this issue again. The prime minister will definitely visit Vietnam, but we don't know when. People tend to think that if the prime minister goes, the minister of foreign affairs won't, and vice versa.

I don't think that there are any problems. We shouldn't be talking about a split. A "different point of focus" is better. And they are growing closer every day. Put simply, in the past, there was a consensus on the Indochina issue in Thailand. Everyone agreed that we had to

oppose the actions and expansion of Vietnam. If Vietnam did not act in accord with our demands, we would apply pressure in various ways. That was the policy in the past, and there was general agreement on this.

But what we are trying to do now is build a new consensus. In many respects, this is similar to before. That is, we must continue to oppose Vietnam. We have to do what is right, that is, we must demand that Vietnam withdraw its forces from Cambodia. But at the same time, we should try to improve our relations with the Indochina countries. We must talk and negotiate with them more. We are making a great effort to build a new consensus. That is, the old policy is good, but we must make adjustments. In particular, we must change our attitude.

But it must be admitted that getting from point A to point B will not be easy. There may be differences of opinion and different points of focus, which may appear to be conflicts. But I don't think that this is the case. What is clear today is that we are in the process of reaching a new consensus but in a different form. I think that this new consensus will help improve relations in this region.

[Question] It seems that Thailand will have to play the role of leader in establishing new relations with Indochina. At the same time, it seems that our foreign policy is now more independent and that it is based on the nation's interests. Is that right?

[Answer] We must take action. We must begin changing people's views. There must be a consensus among Thailand's leaders. If Thailand doesn't change, will the ASEAN countries and the United States change? And if there is a lack of consensus among Thailand's leaders, it will be difficult to implement our foreign policy. Thus, we are trying to reach a new consensus, which we feel will be more constructive. This can be developed. Ten years ago, we were in a very difficult situation. Opposing Vietnam resolutely was probably the right thing to do.

But we are much stronger today. We have modern weapons. I think that we are a regional superpower. Every country in this region is afraid of us. They know that our economic position is very strong. One of the reasons why Malaysia recently purchased Tornado aircraft from England is that it is worried about us. What we have to consider is whether the things that we did in the past are still appropriate in the present situation.

Our policy in the past was the policy of weak leaders. We should see if we can have a new policy that has been revised and that is the policy of leaders who are in a stronger position. We are now much stronger. But because we are used to playing a subordinate role to other countries, we have forgotten how strong we are.

If the United States cuts our GSP rights tomorrow, I don't think that that would have any long-term effects on

us. Not only could we find markets elsewhere, but we would still be able to sell these goods in the United States. Tariffs are not the only factor that influences the decisions of consumers and buyers. There are others factors, too, such as quality and familiarity. Also, we don't have to raise prices. We could let profit decline. None of this is definite. But what is definite is that if we give in to them on the software issue, it will be the United States that determines our technological path for the next 20-30 years.

Realizing our strength will enable us to implement a more independent foreign policy. We have great potential. If you travel about this region, you will hear people praising Thailand. Another matter is military power. We are not a paper tiger in the sense of having great military power but a very weak economy or having a strong economy but no military power and not playing any role in international affairs. The opposite is true. We now have almost all the elements. Our military forces are strong. They are not strong enough to occupy another country, but we can certainly defend ourselves against outside aggression. Our economy is strong. Our image in the international political arena is good. We have many strengths. We should remember these things.

[Question] Regarding the fact that the consensus on foreign policy has changed, is this because our present military leaders have reached a consensus?

[Answer] Definitely. It is a great help when our military leaders all agree. Today, things are much better than generally thought.

[Question] What do you think about the story in the SOUTH CHINA MORNING POST about a possible coup in Thailand?

[Answer] No one knows for sure whether there will be a coup. I don't know where this story came from. I don't think there is anything to this. This administration will survive. This government has not done anything to warrant staging a coup. This government has done many beneficial things. It has solved many problems.

I don't know how secure this administration is, but the fact that this government was elected by the people will make it easier to formulate policy. Outsiders like the advisors to the prime minister have the right to present their views. This more open system will enable us to consider things that we have never considered before. This is a very good sign. Gathering ideas from a variety of sources will help strengthen the country.

[Question] How stable is this government, and about what are you concerned?

[Answer] I am concerned about the prime minister completing his term. My hair is turning grayer every day. (laughs)

[Question] What are the important factors that will enable the prime minister to complete his term?

[Answer] I think that this prime minister is sincere about wanting to do things that will benefit the country as a whole. He is devoting himself to this, and he has scored results. Thus, I think that he will complete his term. But whether he will want to stay is another matter.

[Question] The Chatchai administration has been criticized as being a "yes sir" administration.

[Answer] There have been many issues that have received a "no." A democratic government has the nature of a "yes sir" government. Interest groups submit requests to a democratic government, and it can't say no to all of their requests. If you want a "no sir" government, you have to have a dictatorship. But in many instances, the prime minister has said no. He has said no on the visit to Burma, the salaries of state enterprise workers, and the software issue. The issues on which he has said yes have been issues carried over from the previous administration, such as the salaries of government officials and MPs.

[Question] Are you worried that other members of the cabinet could affect the government's stability, because there is much criticism?

[Answer] As the king has said, you can't expect to have all good people. The important thing is to have as many good national administrators as possible. The government is a reflection of society as a whole. Not all of the people are good either. It's impossible to have an administration composed only of good people. There is no democracy in the world where the government is composed only of good people. The Reagan administration has had to get rid of several people because of scandals. The important thing is that those who "hold the tiger's tail" must be sincere people who were elected by the people. I think that that is enough. Even if you aren't satisfied, you can't stop trying to improve things. I think that we should try to improve everything. We can't give up on this system just because there are some bad people in the government.

I am not saying that a semidemocratic or dictatorial government will be composed of good people and that a democratic government will be composed of bad people. In the past, there were bad people in our semidemocratic administrations. We focus on the system, because in a democracy, we can get rid of the bad people. I have always said that it is the system that is most important. The important thing today is to make people see that this system works and that it can govern the country in a reasonable and efficient manner. This is the most important thing. This is more important than the matter of who stays and who goes. The system is now working very well.

Thus, I was surprised to read the story about a possible coup. I don't think that today's soldiers are that unreasonable. I have not seen any signs of an impending coup. I don't think that today's soldiers, particular mid-level officers who command the forces, are that unreasonable. Today, whenever there is a problem, we discuss it. Whenever someone is unhappy about something, they can discuss it with others. They don't have to topple the system or suspend the constitution in order to get rid of the government. There are many other alternatives. If people are unhappy, they can get the opposition to hold a no-confidence debate. But I don't see any signs that this administration is afraid of a no-confidence debate. This is the proper democratic process.

### **MP, Adviser, Business Leader on Trade Conflicts With U.S.**

#### **Adviser Surakiat Clarifies Issues**

42070054 Bangkok SIAM RAT SAPDA WICHAN in  
Thai 25-31 Dec 88 pp 17, 18

[Interview with Surakiat Sathianthai, an adviser to the prime minister; date and place not specified]

[Text] [Question] The prime minister has taken an attitude of "let them go ahead and cut our GSP benefits" because of the advice given by the advisory team, isn't that right?

[Answer] You must first understand that at the very beginning, the prime minister asked me to accompany the negotiating team that went to Honolulu. After that, there were other points that had to be negotiated. The Policy Committee on International Economic Relations (PCIER) asked the cabinet to allow me to go to Washington, D. C. Before I try to answer your question, what I want you to understand is that even though that is our attitude, it doesn't mean that we are inflexible. What must be understood is that Thailand has allowed them easy entry. We haven't denied them access. They can go ahead and cut the GSP benefits. As for the copyright issue, we have told the United States that we will provide full protection within the limits of Thai law. This is very important, because this is broader than our obligations based on the Berne Convention. At first, we were not sure what decision to make or what the royal decree would stipulate. After the meeting in Hawaii, we returned and continued to work on this. The royal decree states that protection will be given based on Thai law, which is broader than the Berne Convention. The decree states that their works will be granted protection retroactively as long as they are not in the public domain. We have also passed the Trademark Act. The new cabinet has approved this. We have informed them of this. They were pleased by this. We did that to please them. This will be submitted to parliament at its next session. The third thing that we have done for them is to open markets for American goods, including apples, wheat, and soybean protein. As a result of these things, the

Ministry of Finance estimates that we will lose more than 300 million baht in revenues.

We will also support negotiations on intellectual property at the next round of GATT talks. We said that we would do this, and we did so at Montreal on 5-7 December. This was reported to Clayton Yeutter, the U.S. trade representative. Yeutter thanked us for doing this even though there had not yet been any discussion on whether or not to sign. We said that we would support them during the negotiations on intellectual property.

As for patents, there are two issues. The first concerns revising the Drug Patent Law. We told them that we would submit a draft patent law to protect drugs beginning 3 years after the conclusion of the GATT talks, or 5 years from now. The reason for this is that we had an obligation to negotiate at the GATT talks. When GATT agreed that every country in the world would provide protection, we asked for an additional 3 years to make preparations internally and submit the bill. They negotiated this point, and the time period was reduced to 2 years. What that means is that we will have an additional 2 years after the GATT talks conclude in 2 years, which gives us a total of 4 years to submit a bill. That was a major concession on our part. But they rejected this, saying that regardless of when the GATT talks conclude or regardless of what the world agrees, we must revise the law by 1990. We said that we couldn't do that. We said that we couldn't revise our law until there were international standards accepted by all countries. This was one point on which we couldn't agree. But as you can see, we did make concessions.

We also made concessions on the temporary measures. They asked if we could implement temporary measures prior to revising the law. Our Food and Drug Administration studied this and said that what we can do is to conduct tests on the doses given to people. Thai drug producers who use their formulas will have to spend about 18 months doing tests, which means that we have given them a monopoly for another 18 months before we will have the right to register drugs. They have rejected this. What they want is a monopoly for 5 years after registering with the Food and Drug Administration. We have told them that that is impossible. Our law does not give the Food and Drug Administration the authority to prohibit Thai from producing drugs for 5 years after the foreign companies register their drugs. We have already made major concessions. They have said that they will accept this but that this is not enough. These are the concessions that we have made, and they have accepted these.

We have reached a deadlock on two issues. The first is computer software. As I have said, with respect to copyrights, we have already given them more than they would get under the Berne Convention. But they want the government to promise that it will not promulgate a special law protecting computer software. And if parliament submits such a law, they want the government to oppose this. Under Secretary Phachon Isarasanao has

said that we place much emphasis on the principle of protecting computer software copyrights. The government has said the same thing. But how this will be done is up to us. It's a matter of sovereignty. They can't write a letter to us. But we will provide protection. The government can't give in on this. It would be impossible to explain to parliament why the government has promised other countries not to take action even though the courts have not reached a decision. As for the request that the administration oppose parliament's proposals, that is not possible. That would be excessive interference in legislative affairs. This is a point of contention. We have said that this is impossible. We want to wait for the court's decision. If the Thai court makes a decision and they are not satisfied, they can renegotiate the matter. But they can't tie our hands by asking that we not submit bills. The second issue concerns drug patents. The Ministry of Public Health can't do any more, because the temporary measures and laws do not permit the Food and Drug Administration to prohibit companies from producing drugs for 5 years. But they have the power to make Thai companies conduct more tests on drugs for the protection of the people. But they have rejected this. We don't know what else we can do.

An important point that must be mentioned is that even though there has not been any signed agreement, this does not mean that things have failed. People tend to think that successful negotiations must end in a signed agreement. But actually, that is not true if that agreement cannot be implemented. The important thing is that this is the first time that they have asked us to sign. Thus, before we sign the agreement, we must be sure that we can fulfill the terms of the agreement. If we can't, Article 301 will go into effect, because they will accuse us of violating the terms of the trade agreement.

Let's return to the question of whether all of this is in exchange for GSP benefits. The GSP benefits are important, but not as important as some people have said. We have to look at the loss figures. If they cut the GSP benefits completely, how much will we lose? Based on the figures that I have seen, the benefits that we receive from lower tariffs are not all-inclusive. The profit gained from the GSP benefits does not exceed 900 million baht, which is the maximum that we stand to lose. And we may not lose all of this. An example is gemstones, on which we have lost our GSP benefits. This was not involved at all, but the GSP was cut because of our success. We reached the ceiling. In an interview, the former president of the Gemstone Association said that this has not had any effect, because the tariff is 6.5 percent. The ceiling was raised after the GSP was cut. It depends on who our competitors are and on the quality of the goods.

In an interview, the prime minister discussed the work of the advisory team, saying that we present options. We give views on what will happen if this or that is done, what the GSP benefits will be, and what the losses

regarding protecting computer software within the copyright system will be. There will be huge losses if we provide protection within the copyright system. We are trying to find other ways. We have not proposed a new law. We are just looking at the gains and losses with respect to the GSP and what we must give up. We cannot revise the drug patent law within 2 years. If they cut the GSP, we are prepared. The GSP is not something that is definite. We just propose various options. It is the prime minister who is the expert in foreign affairs. That must not be forgotten. He uses his judgment based on the data and the analyses made by various sectors and the advisory team to make a decision. After studying the advantages and disadvantages as outlined by the ministries, bureaus, and departments, he has tended to agree. But with respect to these two points, it is simply not possible.

#### MP Prasop Comments

42070054 Bangkok SIAM RAT SAPDA WICHAN in  
Thai 25-31 Dec 88 pp 18, 19

[Interview with Prasop Butsarakhom, chairman of the Foreign Affairs Subcommittee; date and place not specified]

[Text] [Question] What do you think about the United States cutting Thailand's GSP benefits?

[Answer] The GSP is up to the U.S. Government. It depends on whether they want to help Thailand. They are helping the developing countries. They want to help these countries. If they want to help these countries economically, they give them GSP benefits. Actually, the original agreement states that the U.S. Government will not use GSP benefits as a bargaining chip. But recently, the United States has been using the GSP to threaten this and that country.

[Question] The policy of the Social Action Party on trade with the United States and the GSP issue is somewhat different from that of the prime minister.

[Answer] I think that we are in general agreement. Actually, we have to look back a little. We signed a treaty with the United States in 1966, and Thailand ratified the treaty in 1968. What that means is that Thailand protected Americans during the period 1968-1979. In 1979, during the Kriangsak administration, the Thai parliament revised the Arts and Literature Act and changed the name to the Copyright Act. As a result of revising this law, their law lost its meaning for us. Our Copyright Act provided multilateral protection for the 75 members of the Berne Convention. But our law did not provide bilateral protection between Thailand and the United States. Since 1979, we have not had a law to protect American goods. But protection was provided during the period 1968-1979. Thus, the United States has been trying to get us to revise our law.

[Question] Do you think the United States is right?

[Answer] That was proper during that period, because we ratified the Treaty of Amity between our two countries. The United States provides protection for our goods and so why can't we do the same for them? It was wrong for us to push their law aside. It's not that they put pressure on us. We had an obligation. We incurred an obligation in 1968. We were obligated to protect their intellectual property and copyrights. But in 1979 we stopped providing protection. They are just asking that the debt be paid, that's all.

[Question] Do you think it's right for the United States to use the GSP and intellectual property issue to put pressure on Thailand even though we are allies?

[Answer] You have to understand that if we were in the position of the United States, we would not make changes for them. And if they were us, pressure would be applied. If we revise the law for them based on our obligations, they will not cut the GSP or use this to threaten us. But we have not revised the law based on our obligations and so they are making threats. By obligation, I mean the treaty. That must be understood. They have been providing protection for our goods since 1968. But we stopped providing protection in 1979. In short, we have stopped providing protection, and so they are asking that the debt be repaid.

[Question] Which side has justice on its side?

[Answer] GSP benefits are up to the United States. They can give these to us or stop giving them at will. If they do, we stand to benefit. As for the computer software issue, whether or not that will be copyrighted depends on the Berne Convention. As for drug patents, Thai have not been protected. We have to look at the other factions first. I don't want the U.S. Government directing us or controlling our parliament. We are an independent country. This is up to the Thai parliament.

**Chamber of Commerce Director**

42070054 Bangkok SIAM RAT SAPDA WICHAN in  
Thai 25-31 Dec 88 pp 18, 19

[Interview with Prasop Thaloengsi, the managing director of the Thai Chamber of Commerce; date and place not specified]

[Text] [Question] What will the consequences be if the United States cuts Thailand's GSP benefits?

[Answer] Before that can be answered, we have to wait and see if they cut the GSP benefits completely or only partly. We also have to see what their reasons are. If they cut the GSP completely without good cause, I don't think that that would be fair. They would be disregarding our mutual relations. Regardless of what the American ambassador says, I think that we must negotiate, and the negotiations will take time. Sometimes time makes a great difference. Time helps solve problems. If both sides are emotional and refuse to talk to each other like

friends, I don't think that things will go well. As I have said before, if they cut the GSP, it will not be good. Just like the multi-party trade negotiations in Montreal, when the EEC and the United States failed to reach an agreement, they decided to hold further talks in April. If the parties concerned can talk things over with each other, there might be a way out. That would benefit both sides. I don't think that it would be fair to cut the GSP at this time. That would not be right for countries that have been friends for so long.

[Question] How great an effect will this have on Thai exports?

[Answer] If they cut the GSP completely, that will have a short-term effect until we can adjust. We have to see the benefits that we have gained. The question is, if we don't receive these benefits, will we be able to compete? But don't forget that they have already cut the GSP benefits for the four tigers (South Korea, Hong Kong, Taiwan, and Singapore). We would have to compete with the four tigers without the benefit of the GSP. The countries that have the advantage are the South American countries, including Brazil and Argentina. If we have to compete against these countries without the benefit of the GSP, there might be some effect depending on the goods involved. That is my view from the standpoint of competition.

[Question] If the United States cuts the GSP because of the computer software issue, do you think that that is fair?

[Answer] No, I don't, because that is still under discussion. We don't know whether protection will be provided or not. I don't think that people should be making assumptions about what will or will not happen if protection is or is not granted. It's like arguing about something that hasn't happened yet. Once the matter has been decided, we can then talk about that. People will become interested. As for national development, I think that once we have reached a certain stage, we won't have to worry too much about protecting things. Give things time. If people are in too much of a rush, they become emotional. They talk without understanding each other. The problem is that what they say does not help to clarify matters. Problems arise because of the different reports appearing in the mass media. Everyone says something different. People should talk to each other. High-level committees could talk with each other about the problems.

[Question] Are you confident that Thai goods can compete against the goods of the four tigers in terms of quality?

[Answer] I have great confidence. If the quality of our goods was not good, we couldn't have sold goods worth more than 400 billion baht. Next year, we expect this figure to increase to 500 billion baht. The fact that we have been able to export such a huge quantity of goods proves that our goods are of good quality. But it must not

be forgotten that each market is different. Some places have multi-tiered markets, from ordinary people to the elite. The elite, who have money, demand high quality. For the high-quality markets, we must improve quality. Prices will be higher, too. It all depends. On markets with lower quality goods, prices will be lower.

### **Policy Makers in Energy Field**

42070051d Bangkok KHAO PHISET in Thai  
14-20 Dec 88 pp 30, 31

[Excerpt] [Passage omitted] In a previous issue, KHAO PHISET reported that in the Chatchai administration, there are four men who wield influence in the country's energy circles. These four are:

Mr Kon Thappharangsi, the minister attached to the Office of the Prime Minister. He serves as the chairman of the Petroleum Subcommittee. This subcommittee oversees oil and natural gas matters in order to submit proposals to the Energy Policy Committee.

Mr Banhan Silapa-acha, the minister of industry. He supervises the work of the Petroleum Authority of Thailand.

Mr Prachuap Chaiyasan, the minister of science, technology, and energy, who is a member of the Democrat Party. He supervises the National Energy Administration.

Police Cpt Chaloem Yubamrung, the minister attached to the Office of the Prime Minister, who is from the Mass Party. He supervises the work of the Electricity Authority of Thailand.

But looked at more closely, it can be seen that the Thai Nation Party is now involved in most of the nation's energy circles. With the exception of the Ministry of Science, Technology, and Energy, which is headed by a member of the Democrat Party, it is members of the Thai Nation Party who wield influence in this sector. This includes Gen Chatchai Chunhawan, the prime minister, who chairs the National Energy Policy Committee, Mr Kon Thappharangsi, and Mr Banhan Silapa-acha. Police Cpt Chaloem Yubamrung is close to the Thai Nation Party, too. Besides this, Maj Gen Praman Adireksan, a member of the Thai Nation Party, supervises the work of both the metropolitan and provincial electricity authorities.

The present situation will probably prove oppressive for the Democrat Party, including Mr Prachuap Chaiyasan, the minister of science, technology, and energy, and many others. This is because the work of the National Energy Administration has been implicitly limited. This is why Mr Prachuap Chaiyasan is now working to gain more power for the National Energy Administration.

Mr Prachuap began taking action several days ago. He sent a letter to Gen Chatchai Chunhawan, the prime

minister, asking him to make a decision on which unit the government will use: the National Energy Policy Committee, which was established based on a cabinet resolution, and its two subcommittees, whose work overlaps, or the National Energy Administration, which was established by the 1953 National Energy Act. This act stipulates that the National Energy Administration is to be responsible for procuring energy for the country, conducting surveys to find sources of energy, formulating policies to supervise the production of energy, and closing energy production or distribution sources.

The moves made by Mr Prachuap immediately aroused the interest of people in energy circles. They view this as a move by the Democrat Party in an effort to secure a greater role in formulating and implementing energy policy after allowing the Thai Nation Party to gain great influence in this sector over a long period of time.

Mr Prachuap has said that if the prime minister wants to preserve the National Energy Policy Committee, he should look for a way to revise or repeal the 1953 National Energy Law. But if we want to keep this law, he should give full authority to the Ministry of Science, Technology, and Energy. He also noted that forming committees such as these may be convenient and quick. But we should also look at what is right based on the law.

It is too early to tell if this offensive by the Democrat Party through Mr Prachuap will bear fruit. In particular, it is very difficult to read the mind of Gen Chatchai, the prime minister, whose Thai Nation colleagues are well entrenched in energy circles. Mr Prachuap Chaiyasan, who is fond of saying that people who are unscarred can act boldly when facing problems, is an influential person in the Democrat Party. He will undoubtedly try to solve this problem.

How this will turn out is something well worth watching.

### **Bank Gets Feelers for Indochina Branches**

42070051b Bangkok MATICHON in Thai  
24 Dec 88 p 5

[Text] Mr Damrong Krutsanamara, the managing director of Bangkok Bank, said that the bank has been approached concerning opening a branch in Laos. The bank does much business with Laos. Customers of the Bank have opened letters of credit to import and export goods.

"But we aren't sure how sincere they are. Before you can open a branch in another country, you have to look at the government's policy—even though the government has said that it wants to promote trade in Indochina. In opening a branch abroad, the Thai government might have to grant special rights to that country in return. We must also study the volume of trade and how much trade can be expanded in order to reduce the risk. We have also been contacted by Vietnam."

**United Opposition Party Names Leaders, Dissent Surfaces**

42070051c Bangkok THAI RAT in Thai  
16 Dec 88 pp 1, 7, 23

[Excerpts] [Passage omitted] Four opposition parties, that is, the Progressive, Community Action, People's, and Ruam Thai parties, held a meeting on 15 December to try and form a single party called the National Party. The meeting was attended by Mr Uthai Phimchaichon, the leader of the Progressive Party, Mr Chaloephan Siwikon, the leader of the People's Party, Mr Narong Wongwan, the leader of the Ruam Thai Party, and the secretaries general of the four parties. Mr Bunchu Rotchanasathian, the leader of the Community Action Party, had to attend a budget meeting and was unable to attend this meeting.

In an interview after the meeting, Mr Narong said that this meeting was held in order to discuss the results achieved by the work teams of the four parties in forming a single party and to inform each party of the progress that has been made. He said that in principle, the opposition parties will eventually have to unite. Each party conducted studies on forming a single party and presented its findings at the meeting. There are no obstacles. Everything is fine. Only a few minor problems have to be solved.

Mr Narong said that those at the meeting passed a resolution on the new party, that is, the National Party. There will be a 45-member policy committee, which will

be chaired by Mr Bunchu Rotchanasathian. Mr Narong will chair the 39-member executive committee. It was stipulated that membership on the party central committee would not exceed 100 members. Mr Uthai Phimchaichon will chair the central committee. Mr Chaloephan Siwikon will serve as party secretary general.

Mr Uthai said that at the meeting, Mr Narong was authorized to change the name from the Ruam Thai Party to the National party. The National Party will use the offices of the Progressive Party as its offices. This will be ratified at the Progressive Party. It is expected that this will be ratified before the special session of parliament convenes.

Mr Uthai said that each party is now selecting people suitable for membership on the party executive committee based on the percentages stipulated. As for those who said that the opposition parties would never be able to unite, the action taken has shown that this can be done without problem. "When parliament convenes, we will carry out the business of parliament jointly as one party.

Yesterday, Dr Sayom Rammasut, an MP from Chiang Mai and a member of the executive committee of the Ruam Thai Party, told THAI RAT that he and other Ruam Thai MPs are opposed to forming an opposition party named the National Party instead of the Ruam Thai Party. [passage omitted]

Dr Sayom said that more than half of the Ruam Thai MPs oppose having the Ruam Thai Party join other opposition parties. "Things are fine as they are," said Dr Sayom.

## ECONOMIC

### Bank Deputy Director Advocates Socialist Foreign Trade

42090088 Hanoi DAI DOAN KET in Vietnamese  
1 Oct 88 pp 1, 3

[Article by Do Khanh, Deputy Director, Haiphong Branch Foreign Trade Bank: "Some Thoughts on External Economic Strategy"]

[Text] A topical issue of primarily Vietnamese nature is our need for a correct external economic strategy able to strive for new opportunities in hopes of advancing.

Is it possible to follow the methods of other countries in Southeast Asia? A prompt and thorough choice must be made. And, despite special characteristics, not one country wanting to develop has done so without economic cooperation and association with other countries.

In our humble opinion, our strategy at this time most ideally is economic cooperation and association with other countries in the socialist economic community, primarily the Soviet Union (SEB).

DAI DOAN KET published some helpful information on 25 June 1988. In assistance from the Soviet Union alone: from only 1985 to 1988 in the balance of payments between the friends and us, their annual exports to us were 3.5 times our exports to them. According to Atlasco (ATLAS ECONOMIQUE MONDIAL), published in France, up to 40 percent of the national income of Vietnam comes from Soviet assistance.

However, why do voices persist, especially in the local areas, that benefit can only be gained by trading with the capitalists? This is a lack of accurate information and a still irrational foreign trade and business management mechanism.

The local area exports to the capitalist market in return for dollars which are used to import (or buy right inside the country) especially high-level consumer goods such as monosodium glutamate, motorcycles, television sets, cassette players, etc., with an extremely high import profit (price difference), enough to compensate for export goods procurement losses. This also explains why a fairly high proportion of the import goods structure consists of high-level consumer goods, relating to the price of export goods that local areas and sectors strive to raise.

A situation also exists in which a number of enterprises have products such as Bong Sen cigarettes, Con Tho batteries, etc., that are difficult to export due to their quality, including to the socialist market: but are still sold for dollars. The fact is that in various intershops, along with the capitalist (and an extremely few socialist) imports sold for dollars, are some goods produced by us. The prospective buyers are overseas Vietnamese and foreign customers, Vietnamese cadres returning from overseas with foreign currency, etc.

If we have a suitable exchange rate, the prospective buyers above should change their foreign currency into Vietnamese money to spend within the country. However, because the rate of exchange is low, they use their foreign currency to purchase goods in the Intershop, not to spend or take to a foreign country, which is in substance resale on the free market. This is a ready cause of black marketeers. And, the black market rate is many times the official rate and is steadily rising.

A package of Bong Sen cigarettes is sold at 500 dong on the domestic market and 12 cents in the intershop. If figured at the black market rate of 3100 Vietnamese dong to the dollar, the package of Bong Sen cigarettes is 372 dong for a profit 500 minus 372 dong. With such a method, local areas with their own intershop consider this as exportation in place. Even if production enterprises have goods of insufficient export standards, they still collect foreign exchange. Unfortunately, the state economy suffers a loss:

- Instead of overseas Vietnamese and foreigners visiting our country and exchanging their foreign currency at a bank for Vietnamese currency to spend, they now buy goods and sell them on the free market, the black market rate climbs steadily each day, and the state loses a source of foreign exchange.

- When goods are purchased with foreign currency, not a little of the foreign currency is brought from a foreign country to a number of domestic black marketeers who assist in making the purchases and returning a profit. The inspection of legal papers in these stores is in form only. Some overseas Vietnamese also return home carrying money sent to relatives in the country and use it to make purchases in these stores.

- Local areas receive foreign currency in this way, including profit, and continue to import high-level consumer goods, creating great price differences for the local budget, for the business unit and for everyone assigned to this work, increasingly stimulating the rise of export prices.

- Enterprises with sources of foreign exchange also continue to import equipment, raw materials, spare parts, etc. to produce commodities said to be for export (because foreign currency is received) but actually for local consumption.

While the state calls for belt tightening, by this or that method we still continue to "squander." Fairly many of the consumer goods are of the unnecessary type developed and not widely used even in the developed capitalist countries such as 555 cigarettes, whiskey, etc.

Meanwhile, regarding business in rubles going to socialist countries:

- A number of production facilities consigning goods to general export-import corporations presently have

complexities. Goods are consigned but payment is slow while prices steadily slip upward. Convertible goods are increasingly slower. General corporations applying the sales commission formula have recently become increasingly sluggish. Many facilities producing export goods have run out of capital.

—A number of facilities earn rubles they cannot use because they are deposited in the general payment account of the state. Facilities may only turn in rubles at an internal settlement rate of 225 dong per ruble while export production costs reach 800 dong and losses are not promptly compensated. More and more losses are suffered and many facilities have been forced to halt production.

The situation about also explains why many production facilities and local areas wish only to work with other than the socialist market. Local areas also are acquiring widespread authority in the use of the foreign exchange and capital they produce.

Therefore, in the local areas, from individuals to state agencies can be seen using the high-level goods of leading world nations which are unavailable in many other capitalist countries. Local cadres travel to foreign, primarily capitalist, countries because local budget supply is easier than at the central level. Oceangoing voyages by local ship's crews are increasing, including local areas still without ports or skilled management, leading to an alarming level of accidents to the local oceangoing vessels. Local ships, a source of foreign exchange, are not too large because there are not great amounts of export-import goods, exploitation is not skilled and those involved are primarily the children of local leaders. There is competition for trips to Japan, Hong Kong, Singapore, etc. There is not much enthusiasm for carrying rice from south to north, although the people are hungry, with even fairly large amounts of goods from Eastern Europe.

Contrary to the preferential treatment above, export goods delivered to other socialist countries belong to the central government, not much authority is given to the local area, and even when losses are suffered, local areas are allowed to avoid them to this or that degree. When unable to make exports directly to the capitalist market, there are methods of delivering export goods to other sectors and localities, and to acquire authority for the use of foreign exchange and the right to have true foreign currency. Situations also exist in which even import rights are yielded to other units.

We consider doing business with the socialist faction a long-term strategy because:

—It is a stable market with no high demands, satisfies our strategic requirements that cannot be achieved looking only at the capitalist market, has long-term relations with us, and is one of cooperation with an international proletariat spirit.

—Due entirely to geography, we have tropical products that our friends in the temperate zone do not have and must import such as rubber, pepper, coffee, etc.

—We have a labor force increasing each day that is able to cooperate with our friends by many of the most efficient methods.

—We have many enterprises and small industry and handicraft facilities that have still not used their full capacity or labor force, including in the agricultural area, that can supply and process many more goods for the friends in trade for essential materials, equipment and consumer goods.

To do this, specific policy and procedures are necessary with A to Z resolution from the very roots.

We all know the present benefit of attracting investment by foreign countries in our nation. However, besides methods and policies, a necessity is the construction of infrastructures suited to the entire superstructure.

Efforts directed toward countries within the socialist community are paramount, including primarily cooperation and association with us by the Soviet Union. On that basis, expansion to all other countries is made.

#### **Tax Policy Adversely Affects Electronics Sector** *42090073d Ho Chi Minh City SAIGON GIAI PHONG* *in Vietnamese 11 Nov 88 pp 1, 2*

[Article by Vo Han Lam: "Hardship in the Electronics Sector: Direct Consequences of Irrational Tax Policy"]

#### **[Text] Alarming Statistics**

Since the beginning of the 3rd quarter of 1988, many production installations have been asking for help because of the fact that their products remained unsold. In the electronics sector particularly, the unsaleability has reached an alarming level. Tens of thousands of television sets, radio-cassette players, and so on, which now fill the warehouses, are valued at tens of millions of dollars, or an equivalent of tens of billions of dong.

This year, without considering the profit-paying obligation, units in the electronics sector, in addition to the payment level set for state enterprises, had to pay two new taxes—the state-store goods import tax (assessed on 30 percent of the costs of imported component sections (SKD) and separate parts (CKD) and the commodity tax (assessed on 20 percent of retail prices minus commercial discount). About the state-enterprise payment level, in Circular No 21 of 21 August 1986, which supplemented the Ministry of Finance's Circular No 47 dated 27 December 1985, it had been set at 50 percent of turnover, but in reality, because the electronics enterprises had to compensate for losses resulting from their on-the-spot export, the Ministry of Finance allowed

them to pay only 5 percent of their turnover in connection with the products that used for assembly components and parts imported from capitalist countries. Now, in accordance with Directive 188 of the Council of Ministers, the state-enterprise payment level has been reset at 20-30 percent of turnover to be applicable beginning on 1 July 1988, i.e., in reality the level has been raised 4-6 times higher. It was the new taxes and the increased payment level that made the selling prices of products go beyond the market prices and thus prevented their sales. For instance, in the case of a 14-inch JVC color television set, because the costs of imported parts already amounted to 310-320 dollars and taxes, state-enterprise payment, and other expenses had to be added to the costs, the selling price had to be 360-370 dollars if a little profit were to be made out of its sale. But for the time being, this price was found to be too high and nobody would want to buy it.

Consequently, in order to have money to pay their workers and to make their capital usable again, a number of enterprises had to sell their goods to get Vietnamese currency, to sell them on credit, or to sell them at a loss. But by so doing they were unable to reproduce, got less and less capital in foreign currencies, or had to get back their money very slowly. There was the case of the Tan Binh Viettronics Enterprise, which sold 2,000 JVC 14-inch color television sets to a jointly-operated unit in An Giang Province and so far has not received any money.

In this situation, the financial sector discussed the matter with the production installations and looked for a solution. The commodity tax was reduced from 20 to 10 percent and would be fully exempted in favor of the production installations that have suffered from excessive losses. The import-export organs that did joint business with the enterprises, such as the General Import-Export General Corporation 2 (Generalimex) and Viettronimex, also provided temporary capital in advance or compensated the production installations for their losses.

However, all these measures were just patchwork and failed to totally resolve the problem of unsaleability of products. As of 31 October 1988, Viettronics of Bien Hoa still had a quantity of goods in its warehouse valued at more than 6 million dollars; Viettronics of Thu Duc, Viettronimex, and so on also had millions of dollars worth of goods in their warehouses; Viettronimex since the beginning of this year has been unable to make any use of a single dong of its capital, whereas in the previous years it was able to reuse its capital 5-10 times per year.

#### Policy Supporting Young Sectors Needed

The experience of a number of newly-developed countries like Singapore has shown that the progress of a modern industrial sector should go through many stages, from low to high, from assembly to production. Our country's electronics sector is a very young one and is starting with assembly, going from the form of importing component

sections (SKD) to the form of importing separate parts (CKD), and from there improving its capabilities and skills and moving toward making partial products in the country (IKD) and complete products later. In this beginning, in spite of cheap labor, because we still depend on imported components and parts, the costs of our products remain high. The capitalist developed countries also know this; consequently, the selling prices of the components and parts we import are the same or sometimes higher than those of the finished products we make.

Therefore, in order to encourage domestic production of goods, particularly in the case of young sectors, other countries normally adopt protectionist policies by setting very high tariffs on products imported from other countries and tax policies that give favored treatment to domestic products. As for the electronics sector and a number of other sectors in our country, the situation is just the opposite. The above-mentioned policy of imposing taxes after taxes on them has thrown the electronics sector into a great deal of hardship particularly. In order to save the situation we must have a rational tax policy in favor of the sector: to abolish the commodity tax and to adjust the import tax and state-enterprise payment level so as both to ensure the source of revenue for the state and to help production to develop. We need to use the import tax as a measure to prevent the imported goods (whole finished products) from competing with the domestically-assembled goods. As we calculate the import tax, we must also distinguish between component sections and separate parts and encourage production installations to import the latter for use in their production rather than to "make easy profit" by buying component sections for assembly.

In addition, if the electronics sector wants to make components and parts in the country, it must get more machines and equipment. We wonder whether there ought to be a policy to grant it special privileges, including greater shares of profit (or total profit), for a specific length of time so as to help production installations to reinforce the sources of invested capital and to expand. Otherwise the electronics sector as it exists today will find it very hard to survive.

#### Report of Port Activities

##### Haiphong Reduces Warehouse Backlog

42090079b Hanoi GIAO THUONG VAN TAI in  
Vietnamese 10 Nov 88 p 2

[Text] In the past 9 months, owners of merchandise and means of transportation in coordination with Haiphong Port have retired 1,450,000 tons of goods—a 17.6 percent increase over the same period last year, an average of 161,500 tons a month. Removal of goods transported by rails, roads, and rivers has recorded a 11-24.7 percent increase over the same period last year. As a result, the backlog at warehouses and storage areas has gone down to 87,000 tons—5,000 tons less than the same period last year. The port administration has tested the method of

paying wages by tonnage of merchandise entering and leaving warehouses, with higher fees for outgoing than for incoming goods. That method has stimulated warehouse personnel to accelerate receiving while pressing merchandise owners for prompt removal, so as to expand storage capabilities. The port administration has sped up paperwork, creating conditions for prompt removal of merchandise. It has also obtained state authorization for implementing new freight rates and levying progressive fines on merchandise exceeding the required storage time. An excess of 60 days would entail a 2-fold increase over the original freight rate. The port administration has signed contracts with merchandise owners, allowing them to bring in their own means for collection according to a pre-set daily and weekly schedule, complete with clearly defined bonuses and fines. On the basis of these contracts, the port administration has mobilized adequate manpower and means to achieve high productivity. In the past 9 months, due to proper decongestion of warehouses and storage areas, Haiphong Port has been able to accelerate unloading and loading on 332 ships, totalling 2,150,000 tons—82.7 percent of the year's planned output.

#### **Saigon Overcomes Production Imbalances**

42090079c Hanoi GIAO THUONG VAN TAI in  
Vietnamese 10 Nov 88 p 2

[Text] As of 24 October, Saigon Port has unloaded and loaded 2,340,000 tons of merchandise—101.74 percent of the year's plan and 70 days ahead of schedule. That

performance represents 93.5-102.9 percent of main exports and imports an 106.7 percent of domestic goods. Port personnel has handled the cargo of 659 ships, striving to work faster on those carrying grain, cement, clinkers, frozen marine products for export, and agricultural products for exports, achieving 146-240 percent of the year's plan. Implementing Decision No 217 of the Council of Ministers, port authorities have taken energetic steps to overcome production imbalances—giving participating enterprises more production and business autonomy; accepting bonuses from ships, not in cash, but in equipment and spare parts to equip material and technical bases and cater to unloading, loading, and repair activities; persuading merchandise owners to build warehouses—a way to remedy a shortage of capital; organizing transshipping to cope with a lack of docking facilities; and accelerating outside-of-plan production and business, secondary production, and supply of services to maintain mid-shift and holiday meals and bonus payments for cadres and workers. Especially, with the general department's approval, the Port authorities have changed four times the way of calculating unloading and loading costs per ton of merchandise on the basis of spent labor—a structure which has not yet matched price increases but has already created conditions for cadres and workers to earn more and engage in production in tranquility and confidence. From now to year's end, taking advantage of favorable weather cadres and workers at Saigon Port will strive to unload and load 2,800,000 tons of merchandise.

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