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BRUGGE'S MAYOR VAN ACKER'S VIEWS, POSITION EXAMINED

Brussels KNACK in Dutch 20 May 87 pp 124-125

[Article by Jos Grobben]

[Text] "With an affable reticence and a stolidity that some people wrongly take for inertia, he glances over the political stage where his father, the unforgettable Achille, went before him in wisdom and statesmanship," wrote Manu Ruys, the editorialist of DE STANDAARD last year about Frank Van Acker, now 58 and for ten straight years the mayor of the third largest city of Flanders--Brugge.

Van Acker's reputation in Brussels' political environment is unusually strong. After all, for more than five years already he has been away from the center of power, where politicians with lost honor or name are forgotten just as quickly as the winners of country fair races. This socialist, however, is still perfectly capable of serving as minister, and next to Willy Claes of Hasselt, is perhaps one of the few socialist party members who possess sufficient moral authority and strength of conviction to put together a possible subsequent coalition.

Yet he did not retire into quasi-enforced exile as did Andre Cools, for example. In 1977 this same Cools got stuck with a huge telephone bill when he tried to convince Van Acker to combine his mayoral duties with the job of party chairman, which at that time lay waiting for him. Cools' motives in this matter were not purely altruistic; he knew, after all, that he would be better supported by a contemporary than by the young Karel Van Miert, and Van Acker also knew in his heart that he was the only one who could hold the bizarre new coalition together in Brugge. He made his choice and seemed in later interviews never to have regretted it. "They are not putting flowers outside in Wetstraat," he let slip, referring to his successful campaign to "Put a flower box under your window" to brighten up the city-scape of Brugge. Again, it is his boast never to have spent a single night in the capital, always dutifully and gratefully returning to "his city."

Frank Van Acker's words and deeds, his character traits and idiosyncrasies, will to the end of his days be measured against those of Achille Van Acker, the legendary prime minister and House chairman, whom many of the old guard, the parliamentary members of his time, recall to this very day with childlike

emotion and reverence. That was his dad, who according to his son, had always wanted to be mayor of Brugge, an ambition that made Frank's choice (Brussels versus Brugge) quite a bit easier; he could make this dream come true.

The career of Van Acker, junior, is one without many twists and turns. At 21 (He was born on 10 January, 1929), he became a doctor of law. He completed his studies without a hitch at the Free University of Brussels. At 32, then still remarkably young for a popularly elected representative, he landed in the House via the classical Belgian Socialist Party route. That was in 1961. He remained there until 1965, then moved up a house between 1969 and 1974 (first as provincial senator, then directly elected), and from 1974 to the end of 1981 he returned to his former love. The first day of the next year, he resigned from parliament, but meanwhile sat on two governments: first as budget undersecretary (1972) in the coalition of Gaston Eyskens (CVP), then later as minister of social care (1973) in that of Edmond Leburton (SP).

It was there that his plan for a wholesale reform of our system of social security matured, but the Tripartite did not last long enough to accomplish anything concrete in this matter. It was to remain Van Acker's favorite subject, however, and now finally, after much opposition from trade unions, his project --bits and pieces of which were taken over meanwhile by the CVP--will be the topic at a Socialist Party congress in December of this year. While he sat brooding over these plans in their early stages, he was already discovering a new love: municipal politics.

In 1971 he was elected a member of the council for the first time, and as such landed in a regular wasps' nest. Five years latter, the voters of Brugge decided that they had had their fill of a hundred years of CVP hegemony, which ultimately degenerated into endless intrigues and schemes, and an electoral earthquake took place; a so-called umbrella union of socialists, the People's Union, the PVV and some fallen-away Christian-Democrats, with Van Acker as mayor, entered the picture. On the Monday after the elections, the winners processed through the city, and eye witnesses swore that people were weeping along the route. Because of a last desperate effort on the part of the CVP, which tried to have the elections declared invalid, he could not don his sash before 1977. It was the first and also the last time that Van Acker was to wear it; after all, he does not care for external display; and it is odd each year once again to see in the pages of local newspapers the photograph of a select company of dignitaries from the marksmen's club decked out in their bow ties, with one straight tie unfailingly there in their midst, that of Frank Van Acker.

A Hundred Benches

The socialists who think that a hundred years of CVP nominations can be wiped out in a few years are mistaken. The new mayor refuses to help get jobs for the old pals who come pestering him; he will be able to keep his administration extraordinarily clean politically speaking, for ten years. So clean even that every minority represented in the community council also sits on every administrative commission. But he is introducing other reforms: the traditional monthly press conference with its abundant hot lunch has been replaced by a single New Year's reception with cold buffet. Furthermore, the city father

is hardly ever seen at new shop openings, heavily convivial soirees or popular sports events (except for that once a year with the marksmen). His entourage feared the worst for the elections of 1983, but he won an additional 5 000 preferential votes. That proved that he was right.

A large number of those votes had to come from the middle class, which had had nearly enough of Van Acker, when he began his radical city cleanup; but since that time this group has made, if not a 180-degree turn, then one of perhaps 150 degrees. If Brugge is now once more what it must have been in the past, it is in great measure thanks to Van Acker. He launched that strange new concept of the pedestrian mall, was the first to design the plan of having private dwellings cleaned (made more comfortable, really), and thus far has laid out 250 million francs to that end; he ordered the construction of underground parking facilities which at first were roundly scoffed, commenced work on prestigious restoration projects, built small squares and traffic-free streets, installed a hundred little benches for the elderly, planted or installed many hundreds of trees and lampposts, brought the kassei [paving stone] back into the city at last, thus earning himself the nickname, Frank Kassei in CVP circles. And the projects that he has pushed to completion in Brugge--about the only European town without slums (the gathering spots for losers)--are now spreading to the outlying villages.

Palmistry

Van Acker is known as an intellectual rummager, a jazz fanatic who himself was at one time a gifted piano player, a lover of classical music, a record collector and a bookworm (He regularly visits the Ghent branch of De Slegte [a book store that specializes in antique and used books]). In addition, he is said to be a master of palmistry; he has cultivated a special kind of humor--practical jokes, as close friends attest--and is outstandingly modest. Already as minister he found it utterly annoying to be recognized and treated as such in a restaurant, for example. He drinks his pints still as always Sunday mornings with small groups of friends in unpretentious pubs in Brugge. Up to now he has seldom or ever made use of his chauffeur's services on weekends. (The art of driving a car is one of the few that are totally foreign to him). And in his own VLAAMS WEEKBLAD he seldom or never figures as a subject of extensive interviews.

Finally, Van Acker is delightfully obstinate. Zeebrugge he has always termed a white elephant, and his actions against the transporting and dumping of nuclear wastes or against the mooring of American nuclear submarines in its harbor are legendary. Recently he once again gave proof of this obstinacy in an interview for HUMO. In it he mercilessly attacked DE MORGEN, reproached the socialists for their total lack of managerial ability and declared without blushing that he was in favor of popular power. The young Turks reared up at the next meeting of the socialist party bureau, and the Young Socialists spat fire. The minister of state (since 1985) puts aside those reactions with the same stolidity as the repeated pleas that he accept a ministerial portfolio. Or with the same deadly humor with which, at the latest SP congress, he stopped in their tracks the younger members who were clamoring for more women in all party echelons. Frank Van Acker was completely in agreement, and so, he hoped, was the one woman present in the hall that day.

8117

CSO: 3614/81

PROBLEMS IN ECONOMY SEEN GIVING PRE-ELECTION BOOST TO SDP

Helsinki HUFVUDSTADSBLADET in Swedish 1 May 87 p 15

[Article by Sigyn Alenius]

[Text] Copenhagen--Danish Social Democrats are demanding that new elections be held this spring. The party has put forward a program for "correcting the bad conditions brought about by 5 nonsocialist years."

So far the nonsocialist Schluter government is taking it calmly: there will be no elections before this fall, says Prime Minister Poul Schluter.

Under any circumstances, the election campaign on the Social Democratic side is going to be characterized by the new program.

The social recovery that the party is talking about includes new and improved subsidies for the unemployed, pensioners, and young students. The party has estimated that this will cost 8 billion kroner.

Anker Jorgensen says: "The money will come mainly from a new tax on securities trading."

In addition, Danish firms will no longer be able to avoid Danish taxes by aggregating their income with that of foreign subsidiaries.

The Social Democrats believe that the nonsocialist government will fall in the coming election. Their preparations for taking over are in full swing.

The Danish economy is in a wretched state in any case--as is admitted by the nonsocialists themselves. Prime Minister Poul Schluter's legendary optimism has become chipped. But he still has enough left to expect better election results if he can postpone election day. His numerous financial austerity measures will have had a chance to produce a better effect by then.

The government has been combating the three big minuses it inherited from the Social Democrats when it took over in 1982: a large deficit in the national budget, a huge unemployment rate, and a distinct deficit on current account. But the results have been only partially good. State finances are now in

balance---but if the Social Democrats return to power, that balance will soon be thrown overboard, comments Prime Minister Schluter. He says that their recovery program will cost far more than their tax program will be able to collect.

New Debts

New national indebtedness will be the result.

The Radical Liberal Party, which cooperates with the nonsocialists on economic matters, takes the same view. Its chairman, Niels Helweg Pedersen, comments: "The Social Democrats will have to come up with something more realistic if we are going to cooperate."

The government has also managed to reduce unemployment. The rate was just over 10 percent when the government took office, and it is now 7.8 percent.

The government's economic policy with its stringent austerity will mean a drop in private consumption this year. Private consumption rose by 4.6 percent last year and by 4.9 percent in 1985. But this year it will drop by 1.5 percent, and that, naturally, is going to affect employment.

Throughout its period in power, the government has concentrated on increased exports as a means of correcting the large deficit on current account. But the government's calculations were wrong in that case, too.

The foreign debt now totals 265 billion kroner--the equivalent of over 1.25 years of exports.

Last year, the deficit on current account set a record at 34 billion kroner, or 5.2 percent of GNP. The government had hoped to eliminate the current account deficit completely by 1990, but that is not going to happen. But the government is still hoping that the curve can be turned around.

"Lack of Firmness"

The government's difficulties have also brought criticism from within the nonsocialist camp.

The prime minister is criticized in particular for the government's "lack of firmness" in connection with the wage agreements which took effect on 1 March and which are of absolutely crucial importance as far as exports are concerned. Two years ago, the nonsocialist government forced the parties in the labor market to hold wage increases down: the government wanted them to be below 2 percent. They turned out to be a little higher, but were still under 4 or 5 percent.

This time the government left the wage negotiations entirely up to the parties in the labor market. The prime minister evidently considered it more important, in view of the reaction by the voters, to avoid strikes and quarrels in the workplaces. But the result is that production costs will rise

by 9 percent over the coming year because of reduced working hours and higher wages. That is far more than in competing neighboring countries. With consumer prices expected to rise by 5 percent, the result will be to fuel new inflation.

Never before has a favorable economic situation turned unfavorable so quickly. That is one comment from New York, where Standard and Poor's judged the Danish economy so severely that it dropped the country's credit rating from AA+ to just AA--and it was 4 years ago that Denmark's credit rating was dropped from the top rating of AAA to AA+.

Alarm Signal

In Copenhagen, Minister of Economic Affairs Anders Andersen counters the credit institution's unfavorable evaluation of the Danish economy by saying that "if we had not improved government finances, the situation would have been considerably worse."

Governor Hoffmeyer of the Danish National Bank says that the credit institution's evaluation was rather severe, but that in any case, it sends an alarm signal to the nonsocialist government.

The Schluter government's only defense is that foreign factors also came into play when the nonsocialist economic policy went more badly than expected. Exports are hampered partly by the fact that foreign export markets are again showing restraint and partly by the fact that the krone is tied to the Deutsche mark, which dominates West Europe's EMS [European Monetary System] and is therefore strengthened every time the dollar falls, and that, of course, weakens the competitiveness of Danish exports.

Denmark is suffering from the same sickness which led the Swedes to devalue by 16 percent in 1982 and caused the Norwegians to devalue by 12 percent in 1986.

Many economists believe the Danes will devalue by 10 percent.

But Prime Minister Schluter has consistently opposed such a measure and will not discuss it: his decision is that the value of the krone will remain firm.

11798

CSO: 3650/141

SDP LEADERS ADMIT PROBLEMS IN SELLING PROGRAM TO VOTERS

Poll: Confidence in Party Down

Copenhagen DET FRI AKTUELT in Danish 31 May 87 p 8

[Article by Jorgen Goul Andersen; first paragraph is DET FRI AKTUELT introduction]

[Text] The voters do not believe the Social Democrats would be better at pursuing economic policy than the nonsocialist government.

The economic downturn has not increased voter confidence that the Social Democrats could handle things any better. Only 25 percent of the voters think a Social Democratic government could solve the country's economic problems better than the Schluter government.

That is an even lower figure than a year ago, when 29 percent felt the Social Democrats would do a better job. On the other hand voters are beginning to lose their trust in the government's ability to combat unemployment.

Those are the main conclusions of an AIM poll conducted for DET FRI AKTUELT in the period from 4 to 10 May 1987. The information was gathered just after the very positive balance of payments figures for the first quarter were released but before the two gloomy reports on the economic outlook for 1988 from the Economic Secretariat and the executive committee of the Council of Economic Advisers came out. At the end of April the Social Democratic Party announced its economic policy plan.

Same Assessment

The lack of confidence in the Social Democrats is not due to great enthusiasm about the ability of the Schluter government. Only 37 percent of the voters think the present government has done a good job when it comes to solving the country's economic balance problems--and just as many feel it has done a poor job. But that is about the same assessment as in 1986. The only change is that a growing number believe the government has done neither a good job nor a poor one, as shown in Table 1.

The business sector's distrust of Social Democratic economic policy is spreading to an increasing extent to people employed in the private sector. This is especially true of salaried employees, 67 percent of whom feel the present government is better at solving economic problems while only 15 percent preferred the Social Democrats. Today salaried employees in the private sector agree to a large extent with self-employed people in their assessment of the ability of the Social Democrats in the area of economic policy. Confidence in the nonsocialist government has declined among self-employed people during the past year.

That is probably the price the nonsocialist government has paid for making a broad appeal to the wage earners in the private sector. This success is also shown by the fact that a relative majority of skilled workers now regard the nonsocialist government as better at pursuing economic policy than the Social Democrats.

On the other hand confidence in the nonsocialist government has declined among unskilled workers. This means that a striking difference has now developed between skilled and unskilled workers with regard to their view of who can do a better job when it comes to solving the country's economic problems.

It must also be disappointing for the Social Democrats that voters still have more confidence in the Schluter government's ability to solve the balance of payments problem, in spite of last year's catastrophic deficit of 35 billion kroner. Only 19 percent think the Social Democrats could do a better job while 39 percent think the present government is best--almost the same number as in 1986.

The Social Democrats continue to score higher than the present government on only one point: A relative majority of 41 percent of the voters still feel that the Social Democrats would do a better job of ensuring social balance in economic policy. But the somewhat more socially balanced non-socialist policies of the last few years have not been without effect--almost as many people, 35 percent, do not feel there is any difference.

However the government's economic reputation has declined sharply on one point: In 1986 a relative majority of the voters, 41 percent, thought that the present government would also do a better job of fighting unemployment. This figure has now declined to 31 percent while 29 percent think the Social Democrats would do a better job. On the other hand this is still a fairly low figure for a labor party that stands in opposition to a nonsocialist government whose economic policy is a shambles on some important points.

Table 1. Government's Ability to Solve Economic Balance Problems

<u>Assessment</u>	<u>1986</u>	<u>1987</u>
Very good	10%	7%
Fairly good	31	30
Neither good nor poor/don't know	19	27
Fairly poor	24	22
Very poor	16	14
Total	100%	100%
Balance of opinion (good - poor)	+ 1%	+ 1%

Source 1986: BORSENS NYHEDSMAGASIN/AIM, 18 July 1986

Table 2. Voters' Assessment of Who Would Be Better at Solving Economic Balance Problems

<u>Problem</u>	<u>Year</u>	<u>Present Government</u>	<u>No Dif- ference, Don't Know</u>	<u>SDP Gov- ernment</u>	<u>Total</u>
Solving country's economic problems in general	1986	41%	30%	29%	100%
	1987	41	34	25	100
Reducing the balance of payments deficit	1986	41	42	17	100
	1987	39	42	19	100
Ensuring social balance in economic policy	1986	26	29	45	100
	1987	25	34	41	100
Fighting un-employment	1986	41	33	26	100
	1987	31	40	29	100

Table 3. Voters' Assessment of Who Is Better at Solving Economic Problems in General, Broken Down According to Job Category

<u>Job Category</u>	<u>a) Present Government</u>	<u>b) No Dif- ference, Don't Know</u>	<u>c) SDP Gov- ernment</u>	<u>Difference (a-c)</u>	
				<u>1987</u>	<u>1986</u>
Unskilled workers	17%	48%	35%	-18%	-14%
Skilled workers	38	33	29	+ 9	-11
Salaried employees, public sector	41	26	33	+ 8	+ 2
Salaried employees, private sector	67	18	15	+52	+37
Self-employed	71	21	8	+63	+80

SDP Leaders Acknowledge Problems

Copenhagen DET FRI AKTUELT in Danish 8 Jun 87 p 26

[Article by Henry Thingvad: "Social Democrats: Not Selling Product"; first paragraph is DET FRI AKTUELT introduction]

[Text] Social Democratic leaders are remarkably open about admitting that the party cannot sell its political product at the moment. "And we are not the youth party either," said Hardy Hansen, chairman of the Semiskilled Workers Union [SiD]. On the other hand top SDP elected representatives were quite relaxed about last Sunday's gloomy AIM poll which showed that only 25 percent of the people have confidence in the party's ability to solve the country's economic problems.

"We are not doing a good enough job when it comes to selling ourselves now that we are in the opposition. There is nothing wrong with our program-- 'Denmark for All the People.' It just needs to be marketed better, it must be made simpler and it should be outlined more sharply. The people must get a clear idea of what we intend to do."

Those were the main conclusions from a telephone survey DET FRI AKTUELT conducted by calling up members of the SDP executive committee. The background for our survey was the gloomy AIM poll that appeared in last Sunday's newspaper. It showed that only 25 percent of the people believe a Social Democratic government would be better at solving the country's economic problems than the Schluter government.

Aware of Problem

Although there is no doubt that the poll will be discussed at the SDP executive committee meeting in Silkeborg on 12-13 June, there is no sense of panic among SDP leaders. "We have been aware of the problem for some time," several people explained.

Even so the majority of the executive committee members we talked to indicated concern at what they regard as a poor result in marketing the program, "Denmark for All the People"--"the best program for economic and social recovery." But only a few could explain in concrete terms how the marketing effort should be improved.

Define Course More Sharply

Several people on the executive committee's left wing felt that it will be easier to sell the program if the party moderates its search for compromises and profiles itself more sharply and more aggressively, depriving the Socialist People's Party [SF] of the opportunity to run away with the party's left wing. "I support a more sharply-defined course. We must discuss when we will stand firm and when we will enter into compromises more than we have done in the past. For example I do not think we should have compromised on

TV-2, the advertising question, or on refugee policy. Many people do not know where we stand because we enter into compromises," said Peter Kaj Mortensen, Frederiksborg County.

Bjarne Petersen, Copenhagen County, said: "We should be more aggressive instead of being so responsible."

Too Bad

"I think it is too bad that the party is not better at selling its program. We must step up the marketing effort. For there is no doubt that this is a much better economic program than the nonsocialists have. And at the same time the best guarantee for increased employment and social recovery." That was the comment of Knud Christensen, chairman of the Federation of Trade Unions [LO].

"There has been inadequate communication," said Lenna Olsen, Sonderjylland County.

Hardy Hansen, SiD chairman and LO representative on the SDP executive committee, also expressed concern about the development and especially the fact that the Social Democrats have been unable to attract young people:

Not a Youth Party

"It is obvious that the Social Democratic signals are not getting through. The program is excellent, but it must be emphasized more strongly. We can also see that the party has not succeeded in getting hold of young people. It is not a youth party at this time. Therefore this should be followed up with better marketing. And we should go to the schools and outline views that will attract young people."

Too Many Chiefs

"It is a question of marketing if we are to make any progress," said Henrik Sorensen, Danish Socialist Youth [DSU] representative on the party's executive committee.

"The troops need to be more united. And party disagreements should be discussed internally," said Frida Jensen, Ribe County.

Finn Ladefoged, Nordjylland County, was in agreement on this point:

"I think the Folketing group has too many chiefs. This is seen as a sign of weakness. We must have stronger support behind our leadership."

Poul Winckler, DKA chairman and also an LO representative on the party's executive committee, felt the problem is that the framework has been too broad:

"The Social Democratic Party's problem is that we do not define what we want clearly enough. The framework has been too broad. And this has not been improved any by the fact that the Social Democrats know what is possible in politics. That presents problems in relation to SF's policy of overbidding."

In the coming election campaign Poul Winckler will plan on a stronger mutual emphasis on the part of the Social Democratic Party and the union movement:

"This involves the struggle for the welfare state. It is crumbling away at the moment."

"We must not have a joint election program with the Socialist People's Party; instead we must say what we want more clearly," said Mary Andersen, Viborg County.

Blown Out of Proportion

Age Munk, who represents the Cooperative Federation, said the debate over the AIM poll has been "blown out of proportion."

"It is a misguided analysis. The poor economic signals (among them the report of the Council of Economic advisers and the government's budget statement, Ed.) had not really filtered down to the people when the poll was conducted. Therefore the results must be taken with a grain of salt. In addition I think the public's concept of the economic situation is influenced to a large extent by the individual's job situation. This will change sharply in the fall. And for this reason an ongoing survey would be of more interest."

Munk was one of the few members of the SDP executive committee who did not believe the gloomy poll figures were due to poor marketing.

6578

CSO: 3613/105

POLL SHOWS VOTERS OPPOSE PROGRESSIVES AS COALITION PARTNER

Copenhagen DET FRI AKTUELT in Danish 24 May 87 p 4

[Article by Jorgen Goul Andersen; first paragraph is DET FRI AKTUELT introduction]

[Text] The voters have given their verdict. They do not want a Schluter government after a Folketing election if it depends on Progressive Party support. This was shown by an opinion poll the AIM analysis institute conducted for AKTUELT.

Only 14 percent of the voters think the four-party coalition should continue after the next election if it has to depend on the Progressive Party for support. In contrast to the prime minister, only a third of those who vote for the government parties think the government should remain in office if that is the election outcome. On the opposite wing, 71 percent of Socialist People's Party [SF] voters think SF should join a government cooperation with the Radical Liberals if a labor majority does not materialize.

These results appear in an AIM survey carried out in May 1987 for AKTUELT. During the past year all the opinion polls have indicated that the election will end in a draw between the government and the Radicals on one side and the Social Democrats and SF on the other. Regardless of whether the Greens and the Christian People's Party fall above or below the cutoff barrier, the Progressive Party will be the deciding factor. Therefore the voters were asked which government they would like on the basis of that outcome.

Unpalatable

In that situation only 14 percent of the voters want the four-party government to remain in office. Women voters found the idea especially unpalatable. Only 10 percent of them want the Schluter government to continue on the basis of Progressive support, compared to 18 percent of male voters.

In other respects the voters are sharply divided when it comes to what kind of government they want (see Table 1). Some 11 percent want a Conservative or other nonsocialist minority government. A total of 22 percent want a government cooperation between the Social Democrats and the Conservatives, with or without the Radical Liberals.

An equal number--22 percent--want a government made up of the Social Democrats, SF and the Radical Liberals, while surprisingly, only 12 percent of the voters would like a Social Democratic minority government.

It is also surprising that as many as 71 percent of SF voters would like to see a government cooperation with the Radicals if a labor majority does not materialize. Incidentally that is what SF economist Jes Lunde was strongly criticized for suggesting at SF's congress last weekend.

The problem with this declaration of affection is that the attraction is onesided, as shown in Table 2. Only 16 percent of the Radical voters want a government cooperation that includes SF. But the Radicals are also spurned when they court the right wing. Some 45 percent of Radical voters would like a Social Democratic-Conservative-Radical cooperation, but only 8 percent of Conservative voters support this idea. On the other hand 21 percent of the Conservatives would like a government cooperation with the Social Democrats but without the Radicals.

CD Negative

The mood is no more favorable toward the Radicals among Center-Democratic [CD] voters. As many as 54 percent of CD voters want a cooperation between the Social Democrats and the Conservatives, but only 12 percent want the Radicals to be included. Surprisingly, CD voters are the most negative among nonsocialist voters when it comes to a four-party government based on Progressive Party support. Only 19 percent of CD voters were in favor of this alternative.

The Social Democratic voters are the most divided. Some 24 percent in all would prefer a government cooperation with the Conservatives, with or without the Radicals, while 31 percent would like a Social Democratic minority government and 30 percent want a government cooperation with SF and the Radicals.

Generation Gap

This split in the Social Democratic ranks reflects in part a difference between generation. In the group of Social Democrats over the age of 40, 29 percent would prefer a cooperation with the Conservatives, compared to only 15 percent of Social Democrats between the ages of 18 and 39.

Survey Background

The survey was conducted for AKTUELT by the AIM analysis institute.

Method: Personal omnibus.

Number of interviews conducted: 892.

Period interviews were conducted: Week 18, 1987.

Statistical uncertainty of total material: up to +/- 3.2 percent.

Survey requested by Jorgen Goul Andersen who is also solely responsible for interpreting the results.

Table 1. Government Preference

Question: "Let us imagine that after the next Folketing election majority support is lacking for the Social Democrats and SF on one side and the present government and the Radicals on the other. Which of the following government alternatives would you prefer in that case?"

<u>Alternative</u>	<u>Support</u>
1. Present government with the support of the Radicals and the Progressives	14%
2. A Conservative minority government*	11%
3. A Social Democratic-Conservative government	14%
4. A Social Democratic-Conservative-Radical government	8%
5. A Social Democratic minority government	12%
6. A Social Democratic-SF-Radical government	22%
7. Other**	3%
8. Don't know	16%
Total	100%
Number of responses (only respondents over 18)	839

*This includes 2 percent who spontaneously mentioned another nonsocialist minority government.

**This includes 2 percent who spontaneously mentioned different labor party combinations.

Table 2. Government Preference by Party Affiliation (in percentages)

<u>Preference</u>	<u>SF</u>	<u>Social Democrats</u>	<u>Radical Liberals</u>	<u>Center- Democrats</u>	<u>Liberals</u>	<u>Conser- vatives</u>
1. Present government	1	1	16	19	35	36
2. Conservatives	3	2	6	19	21	30
3. Social Democrats + Conservatives	4	16	7	42	13	21
4. SDP + Conservatives + Radicals	1	8	45	12	11	8
5. Social Democrats	12	31	0	0	2	1
6. SDP + SF + Radicals	71	30	0	0	2	0
7-8. Other/don't know	8	12	10	8	16	7

Note. Only parties with more than 25 voters in the sample.

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SCHLUTER, JORGENSEN DEBATE ECONOMIC, POLITICAL ISSUES

Copenhagen BERLINGSKE TIDENDE in Danish 24 May 87 p 10

[Interview with Prime Minister Poul Schluter, chairman of the Conservative Party, and Anker Jorgensen, chairman of the Social Democratic Party, by Carl Otto Brix; date and place not given; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] "We have saved the welfare state," Schluter stated. Anker Jorgensen responded, "You have punched it full of holes."

The leaders of the government and the opposition have no trouble talking to each other but they disagree on most things.

"Dear friend...if I may call you that," said Anker Jorgensen (Social Democrat). "Of course," replied Prime Minister Poul Schluter (Conservative).

Their parties have just held about 10 debate meetings around the country. What did they accomplish?

[Schluter] They were certainly remarkable meetings.

[Jorgensen] They were lively.

[Schluter] Characterized by liveliness and some rowdiness. The young people stand up and cheer. They are not overburdened with impartiality. Some meetings of this kind should be arranged, but not all the time. I do not intend to make this my main political task.

[Question] Has the quota been exhausted for this year?

[Schluter] It has been exhausted for this spring. But when the election campaign begins we will probably have a few more.

[Jorgensen] I do not think we should feel bad about having some lively meetings that people attend. Just think, we were able to gather an audience of 1200 people in Silkeborg and 1800 in Naestved. We have heard so many complaints about people not showing up. And then when they do show up,

there is something wrong with that too. It is possible that we simplify the problems but we know that people can think for themselves and understand the nuances in these problems.

[Question] Have the meetings separated the two parties from each other?

[Schluter] Things are completely unchanged.

[Jorgensen] That is correct, but the purpose of the meetings was to tell people that there are two alternatives. This is not a question of personalities but of parties.

[Question] Was that also the Conservative Party's purpose?

[Schluter] In the debate meetings I have stressed a presentation of the true state of affairs, that one government possibility after the election is a continuation of the four-party coalition and the other is...am I allowed to say the Social Democrats and the Socialist People's Party [SF]?

[Jorgensen] You may say whatever you like.

[Schluter] In other words, whether we have a socialist or a nonsocialist government.

[Question] Is that stated correctly?

[Jorgensen] It is a possibility. If the Social Democrats and SF have a majority this alternative should be tried. It would be a good one.

[Question] This is a question the prime minister did not get an answer to in Naestved: Is it true that the Social Democrats have removed the condition that the party must post election gains before it will consider an SDP-SF coalition?

[Jorgensen] The Social Democrats must win more votes. That is an obvious prerequisite for also winning a majority.

[Question] Would the prime minister rather cooperate with a Progressive Party led by Mogens Glistrup than a Social Democratic Party led by Anker Jorgensen?

[Schluter] The two things cannot be compared. I do not see that the choice will lie between the two. I know from experience that it is very hard to base a government on Progressive support in Folketing. That was the fate of the four-party coalition during the first months of its existence. It ended with our losing a vote on the budget bill. My ideal is an election that confirms the narrow majority--or preferably making it broader--that has been our real basis since the January 1984 election. The government parties and the Radical Liberals have had a majority. It has not been large but it is still a majority.

[Question] If we asked the opposition to name an area where the government has done a good job, what would it be?

[Jorgensen] It would be the improvement in employment. But there is not much to cheer about. Now unemployment is rising again.

[Question] Is there an area where the government can give a small cheer for the Social Democrats?

[Schluter] In spite of everything the Social Democrats have been interested in forming a broad majority in some areas. We saw that in relation to the Great Belt project, the hybrid network. It has been valuable that there are exceptions to the rule. The most important thing is tax reform. It is important because people must be able to count on basing their private economy on something that will remain unchanged for a number of years.

[Jorgensen] I think tax reform is valuable. It is not perfect, of course. It will probably turn out to have some defects. But some of our principles have been implemented. Even if they have been described as a pestilence.

[Question] Poul Schluter did not mention the real interest compromise.

[Jorgensen] No, he quite simply collects 17 billion kroner in state funds even though he cursed the idea. He did not prevent us from getting the necessary and proper legislation passed when we were in the government.

[Question] What is the worst thing the government has done?

[Jorgensen] In actual social policy and in economic policy greater distance has been created between different population groups. I can document that with figures.

[Schluter] That is an unfounded assertion and it is the Social Democrats' main accusation. Social spending in Denmark today is 30 billion kroner higher in terms of current prices than in 1982. In terms of fixed prices there has also been a sharp increase. This corresponds to the improvements we have introduced in many areas. Today Denmark's social legislation is better than it was 5 or 6 years ago. And while it is true that there are still problems in the area of economic policy, Denmark is in an entirely different position now than it was 5 years ago.

[Question] Is accusing you of cutting social benefits again and again the worst thing the opposition has done?

[Schluter] I do not think the accusation is justified. It is more a question of whether Denmark can maintain the high standard we have now.

[Jorgensen] Does that mean new cuts are being planned?

[Schluter] No, it does not. No. But it has been our goal all along to save the welfare state and I think we have done that. First and foremost

by eliminating the formidable state budget deficit that Anker Jorgensen left behind. That has now been accomplished.

[Question] Has the government saved the welfare state?

[Jorgensen] Not at all. It has punched it full of holes. It has made the holes in the safety net bigger and more people are falling through. Benefits recipients have had a decline of 17-18 percent. Wage earners have seen a decline in real wages while self-employed businessmen have made gains, but not the small storekeeper on the corner. Big companies have had the biggest gain--18 percent. As National Bank director Hoffmeyer said recently, the big firms have earned a lot of money at the expense of the wage earners. And competitiveness, to bring that up, will decline by 8 percent.

[Schluter] This time it is up to the parties involved to resolve the contract negotiations. In other words there will be no intervention or dictates as there were the first two times.

[Jorgensen] Yes, dictate is the right word.

[Schluter] It was controlling wage development.

[Jorgensen] It was a onesided dictate.

[Schluter] No, it was not. But let us say so anyway. And it was a very wise thing. What we needed was to break the inflation and wage increase rhythm we have had for a decade. It helped companies to unfurl their sails. I think we are headed for a breakthrough in productivity. It has not been very strong but it is coming now.

[Jorgensen] It is interesting that productivity has declined.

[Schluter] It has not declined.

[Jorgensen] Can we agree that it has not risen?

[Schluter] It has not risen very much.

[Jorgensen] No, for it has really declined. Exports were supposed to rise and actually they did not.

[Schluter] Exports have increased very noticeably in recent years. We can see that in the OECD report. We get gold medals for investment increases, employment increased and a reduction of the state deficit. And we have received a silver medal. It is for increasing exports. There was an increase of 41 percent and one country beat us. Not surprisingly that country was Japan.

[Jorgensen] The prime minister talks about gold and silver medals as if we were playing in the Olympics. Wouldn't it be better to give ourselves minus

grades on our report card? Our debt has grown enormously. It was large in 1982. It has doubled since then. Just remember what you said then. What a burden it would be for our children and grandchildren for many generations. So stop talking about medals. You have had prevailing winds.

[Schluter] No, we have not had prevailing winds. It is true that the foreign debt has increased. That was inevitable. It increased because of the interest on the debt we inherited. We had to take over the debt you left us.

[Jorgensen] May I just say with regard to the 80 billion kroner deficit that keeps turning up all the time that we actually did present a plan to reduce the state deficit?

[Schluter] Yes, that deficit was in the first draft of the budget bill, but then you rejected it.

[Jorgensen] That was when you plotted against us.

[Schluter] We had to. The queen could not sit up here all by herself. We had to have a government.

[Jorgensen] So you prevented us from enacting things like the real interest tax that you then implemented yourselves!

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GREENLAND AFTER ELECTION; CONTINUED SOCIALISM IN ECONOMY

Paper Assesses National Election Results

Godthaab GRONLANDSPOSTEN in Danish 17 May 87 p 4

[Editorial: "Voter No to Desire for Separation"]

[Text] Now the voters have spoken, and their clear message goes to Jonathan Motzfeldt and Aqqaaluk Lynge. It says in all its gripping simplicity: Go at it again! Seventy percent of the country's registered voters have played the democratic game and given a clear no to the political desire for separation, which caused an untimely election in Greenland.

The number combination 11-11-4-1 shows that there is still no party that can take upon itself the responsibility of government with even a reasonable prospect of success.

After this election there will certainly be a demand for "the great coalition" -- that is, a government consisting of Siumut (socialist, radical home-rule party) and Atassut (moderate, pro-Denmark party).

The demand is certainly well-meant, but after two missed chances it is a model we do not put confidence in. The negotiating rounds before the call for the election showed that there are more differences than points of agreement between the two parties.

And then one must not forget the fact that the voters gave Inuit Ataqatigiit (pan-Eskimo party), (I.A.), an extra seat in this election. It is a vote of confidence that neither of "the two old ones" can brag about. And this vote of confidence must be taken into consideration with the recognition that a government without I.A. will be in conflict with the rules of the game in representative democracy.

Therefore one must be more than ordinarily gifted as a political pathfinder if one believes one can find a path that leads around a new Siumut-I.A. coalition!

Of the rest of the 12 Landsting members who remain after a democratically correct government formation, one can -- without offending anyone -- say the

following: Nikolai Heinrich and his party did not get power as they had intended, but this does not mean that the party will be without significance in the coming four years. On the contrary. Issittup Partiia's (new business protest party) most noble task will be to spur Atassut into a constructive opposition role. For to tell the truth, there has been a long drought in this respect.

New Landsting Members Listed

Godthaab GRONLANDSPOSTEN in Danish 27 May 87 p 2

[Text] The new Landsting, which now has been elected, is composed as follows:

Southern Area:

SIUMUT: Jonathan Motzfeldt and Hendrik Nielsen.

ATASSUT: Peter Ostermann and Torben Emil Lynge.

INUIT ATAQATIGIIT: Tuusi Motzfeldt.

Middle Area:

ATASSUT: Lars Chemnitz, Otto Steenholdt, Emilie Lennert, and Niels Carlo Heilmann.

SIUMUT: Lars Emil Johansen, Moses Olsen, and Jens Lyberth.

INUIT ATAQATIGIIT: Aqqaq Luk Lynge and Henriette Rasmussen (additional member).

ISSITTUP PARTIIA: Nikolai Heinrich (additional member).

Disko Area:

ATASSUT: Konrad Steenholdt, Knud Sorensen, and Holger Sivertsen (additional member).

SIUMUT: Preben Lange and Hans Iversen.

INUIT ATAQATIGIIT: Jens Geisler.

Uummannaq:

SIUMUT: Mikael Petersen.

Upernavik:

SIUMUT: Bendt Frederiksen.

ATASSUT: Godmand Jensen (additional member).

Avanersuaq:

SIUMUT: Uusaqqak Qujaukitsoq.

Tasiilaq:

ATASSUT: Jakob Sivertsen.

Ittoqqortoormiit:

SIUMUT: Jonas Danielsen.

About the election figures it can be said that Atassut has regained the role as Greenland's largest party with a total of 10,043 votes. Siumut got 9,980, Inuit Ataqatiggit 3,823, and Issittup Partiia 1,119. The candidate union ISAI received a total of 95 votes.

In all, 25,765 voters went to the polls, and this is equal to a voting percentage of 70.

Siumut Recognizes Wider Role

Godthaab GRONLANDSPOSTEN in Danish 3 Jun 87 p 2

[Text] Tempers flared in Siumut when Jonathan Motzfeldt went on a family visit in southern Greenland after the discussions with Otto Steenholdt -- Lars Emil Johansen favorite candidate for the post of Siumut chairman.

The government head will with 100 percent probability still be Jonathan Motzfeldt after the Landsting has confirmed the new government. But Jonathan was well on the way toward a political sidetrack in the first hectic hours after the election. At the same time that the number of seats in the Landsting has risen, Motzfeldt has led his party on a shrinking course through three elections from 13 seats in the first Landsting to the present 11. An obvious flirtation with Atassut's Otto Steenholdt both at the Nordic Council meeting in Helsingfors and right after the election caused anger in the Siumut Party. And then when the country's father went on a family visit in south Greenland right after the election on 26 May, that was the limit.

"Jonathan Motzfeldt has exceeded his competence," Moses Olsen of Greenland's Radio News said. And six of Siumut's local chapters demanded that Jonathan be replaced by Lars Emil Johansen as a candidate for the post of government chairman.

It is not the first time that Jonathan Motzfeldt has been given the cold shoulder by his party comrades. But once again he managed to "land on his feet."

Whether this was because Siumut's leadership was satisfied with what Lars Emil Johansen called "a friendly chewing out," or whether Jonathan was able to put his opponents in their place, is not known. From Siumut the message simply came that one -- as always -- has discussed and found a solution to the problems.

In the meantime it is a fact that Jonathan has been lucky enough to gather together a loyal shadow cabinet: Kaj Egede, who agrees completely with Jonathan Motzfeldt, is on the minister list, while Moses Olsen is out. Previously it was Moses Olsen, who, together with Lars Emil Johansen, formed the hard ideological nucleus that could correct the chairman's course if he went too far to the right.

The rumors were that Jonathan Motzfeldt forced his reelection as government chairman candidate with the threat of going it alone in the Ting without Siumut, but these rumors -- naturally enough -- have not been confirmed in Siumut.

Lars Emil as Party Chairman

Right after the election the more qualified people guessed that Jonathan Motzfeldt would experience a political defeat at Siumut's national meeting in August. But one did not have to wait so long.

In the politics surrounding the new government, it is also a fact that Lars Emil Johansen has already announced his candidacy for the post of party chairman at the national meeting.

The result of the battle in Siumut has at any rate been that the party now recognizes its role as a broad party that contains both a center-seeking and a left wing. There have been very few predictions about the results of this recognition so far.

Foreign Policy Committee

Godthaab GRONLANDSPOSTEN in Danish 3 Jun 87 p 2

It was the crisis of confidence in connection with the expansion of the Thule radar that caused the early Landsting elections. Even before the crisis had reached its peak, Siumut's Lars Emil Johansen came forth with the idea of a foreign policy committee, and this idea will not be realized.

The intent is that the coming Landsting will be kept informed of foreign and security policy problems by a standing committee.

Denmark's foreign minister has already told RITZAUS BUREAU that such a committee can expect all possible support from the Danish government.

Opposition Sees Earlier Elections

Godthaab GRONLANDSPOSTEN in Danish 10 Jun 87 p 2

[Text] So there is a new government in place. With Jonathan Motzfeldt at the head, the following persons have entered offices in the government administration: Hans Pavia Rosing as government member for economics and personnel, Moses Olsen for trade and industry, Jens Lyberth for education and labor relations, Aqqaaluk Lyngé for social affairs, health, and GTO, Kaj Egede for counties and outlying districts, and Josef Motzfeldt for business, traffic, and youth services. The eighth government office, which Inuit Ataqatigiit had wanted established for family and health, came to nothing. But Siumut has promised that it will be established about 1 January 1989, when the health sector is taken over from the state.

"The victory for the left wing" has therefore been crystallized into a government, but the new government did not by any means have the best possible expectations when it was elected yesterday afternoon. A unified opposition consisting of Atassut and Issittup Partiia predict a short life for the government. Both Otto Steenholdt and Nikolaj Heinrich were disappointed that Atassut -- Greenland's largest party -- is not part of the government establishment. They gave clear expression to their displeasure by simply not voting at the general election of government members.

"The citizens can see that the election was unnecessary, Otto Steenholdt said in his speech to the Ting. "It will be seen that history repeats itself. We will get another early election, before the Landsting period is over. Nikolaj Heinrich had the following comment: "It had been our hope that the two large

parties would form the government. The majority of the voters wanted this, too.

Cooperation

Jonathan Motzfeldt, on the other hand, followed a conciliatory course when he took over the speaker's platform from the Ting's oldest member, Lars Chemnitz.

"It was not possible to achieve the broad agreement, but I agree with Lars Chemnitz that we must in the time to come seek a broader cooperation in the Ting. I intend to personally contribute to this. It is important to see to it in the coming years that the parties' interests are considered.

"Even though I have been the chairman the past eight years, I am very excited about the coming four. I think that in this period we will take over the last areas from the state, and I am glad to be a part of this."

In his speech, Lars Chemnitz had said that democracy's principles are being put aside in the negotiations on the new government. He feared that Greenland's credibility as a cooperating partner has suffered, and he added: "If we are to be able to stand as equal partners in cooperation with the outside world, we must begin cooperation with both feet on the ground instead of fluttering in the air chasing our political ideologies."

New Economic Planning Committee

The Landsting will not get far in the series of things that must be done. Many of them must wait until the fall meeting.

But economics is one of the key items for the newly elected Ting, and therefore the new election of the Economic Planning Committee was on the agenda right after the establishment of the government.

Up to now the committee has consisted of Preben Lange and Pavia Nielsen from Siumut, Knud Sorensen and Jan Streit Christophersen, Atassut, together with Jens Geisler, Inuit Ataqatigiit.

The new committee, which now is formed, has the following members: Lars Emil Johansen and Bendt Frederiksen, Siumut, Knud Sorensen and Lars Chemnitz, Atassut, together with Jens Geisler, Inuit Ataqatigiit.

Setback For Privitization Movement

Copenhagen BERLINGSKE AFTEN in Danish 29 May - 4 Jun 87 pp 1, 2

[Article by Egon Balsby: "Yes to Socialism -- No to Privitization"]

[Text] The two large parties in Greenland politics, Atassut and Siumut, both suffered defeats in an election that has been called superfluous. The Marxist IA gained again, while the newly created business party got one single member.

It was a deeply irritated and hardly diplomatic government chairman, Jonathan Motzfeldt, who at 2:30 Wednesday morning -- after seven hours of watching long-winded discussions about the election on TV, brusquely told a TV journalist that "We are not going to sit here and talk all night."

The violent outburst, which hardly was worthy of a head of state, was moreover in reaction to the journalist's question to the Atassut leader, Otto Steenholdt, about the order in which he, as the chairman of the now largest party in Greenland, would call in the other leaders for discussions on the coming formation of a government.

Anyway. The government leader's reaction was perhaps understandable in consideration of the fact that five hours before he had told a group of journalists that he would be ready to show his government list at one o'clock on election night in the reasonably certain assurance that his Siumut party would be able to obtain the 14 seats that would assure the majority in the new 27 man Landsting.

This was the plan, and the reason why Jonathan Motzfeldt in March called for the elections that were to free the large party from the strenuous cooperation with the Marxist-Leninist-oriented coalition party, Inuit Ataqatigiit (IA).

Thule Or Chemistry

The Thule radar issue was used as the declared reason for the break, but deep inside the Siumut Party it is admitted that it was really caused by a marked lack of compromise in the relations between Motzfeldt and the leader of IA, Aqqaq Lyng. The chemistry of the two party leaders simply does not agree, and Motzfeldt considered this enough to call for elections.

But the election results indicate that the two must get on the dance floor once again -- it was also IA that caused the elections in 1984 when they presented a lack of confidence declaration to the government in connection with Greenland's departure from EC.

For even if Atassut in Wednesday's election suddenly became Greenland's largest party with 10,043 votes, which represents 40 percent of the voters, closely followed by Siumut with 9,980 votes, which also represents 40 percent, both large parties must admit that they -- in spite of their size -- suffered defeat. They both declined by four percent, while IA went forward from 12 to 15 percent and therefore increased the number of members by one to four, while the newly created protest and business party, Issittup Partiia, got five percent of the votes, and with this is represented by a member in the new Landsting.

The Voters' Decision

In spite of these shifts, there is definitely no doubt about the voters' decision. Socialist and centralist Greenland is to be extended, while thoughts of nonsocialist privatization and reduction of bureaucracy will have another four-year period to mature in -- as they have had the possibility of doing since the beginning of the government in 1979.

At any rate, this is what came out of the comments made by the party leaders right after the conclusion of the elections Tuesday night.

Jonathan Motzfeldt regretted the setback, but stressed that a government cannot be formed without Siumut, and Aggaluk Lynge was extremely diplomatic in his emphasis on the fact that "the existing coalition controls 55 percent of the votes, and therefore naturally dictates a new government."

He did not wish to answer the question of whether IA will demand one more government post as an additional profit from the election victory. IA expects two government posts.

On the other hand, even before the elections, Jonathan Motzfeldt made it clear that a possible new coalition would be based on very "strict agreements" between the two parties on how it should be established.

Otto Steenholdt was, in spite of his newly-won status as leader of the largest party, painfully conscious of the fact that the time-honored role as first negotiator for the formation of a new government is only a short-lived reward.

He limited himself to the expression of his pride that Atassut is now the largest party and that they were able to hold together in spite of the competition with the newly created business party, but he gave no indication of alternative possibilities to the familiar coalition.

Even more humble was the vice-chairman of the new party, the chairman of the employers' union in Greenland, Kaj Schmidt, who in the campaign received his baptism of fire as a public TV figure. An experience one has the feeling he would have gladly done without.

But there was nothing wrong with the political recognition when he admitted right after the election results that the party's new Landsting member "hardly will have great influence."

Status quo has therefore been established in Greenland politics after an election that has been characterized by political observers as quite meaningless.

But Government Chairman Motzfeldt points out that the election has clarified and made graphic some polarizations in Greenland society that the voters could logically take into consideration.

The question is whether there is not just as much polarization in his party as there is in the country in general.

As the party's leader, he has now conducted three elections since the introduction of the government, and the party has gotten smaller each time, while its only coalition partner, IA, has gotten larger each time.

This has naturally given rise to speculations in the party's left wing, which is somewhat less opposed to cooperation with IA than Motzfeldt has shown himself to be. A general assumption in the party is therefore that Motzfeldt's

time is possibly running out -- at least as chairman -- and sources in the party point out that the party's national meeting this summer can be the correct time to assure the party's renewal.

The dynamic Lars Emil Johansen returned at the time of the election from a sabbatical year as university president, and he easily obtained the largest number of votes in the Middle Area, and he is considered a natural candidate as Motzfeldt's successor, followed by a group of strong young troops who to a great extent share IA's strong nationalistic view on the desirable development for modern Greenland.

And there was no doubt that it was this wing that Aggaluk Lynge wooed on the evening of the election when he stressed that IA in its idea of a totality is open both to the East and the West, and its priorities are close cooperation both on the Nordic plan and in the Inuit Circumpolar Conference (ICC), which is becoming a continually larger cooperative partner in the attempt to join the Arctic peoples together in a common development.

His comments were no doubt registered by, for example, Hans-Pavia Rosing, government member for economy for the Siumut Party, but also co-founder and two-time president of ICC. Moreover, Rosing had to suffer for the second time in a row the humiliation of not being elected to the Landsting, while a series of veterans in the party, as for example, Moses Olsen, Preben Lange, and Jens Lybert were reelected again.

Crisis in Atassut?

If there are tendencies toward a leadership crisis in Siumut, it also seems possible that there may be developments on the way in Atassut, even though they are hardly of the same character.

"The old Man" in Greenland politics, Lars Chemnitz, stood for election again -- in the Central Area, where Otto Steenholdt also ran, and Chemnitz got precisely five more votes than Steenholdt, and became therefore with 1,098 personal votes the second largest vote-getter after Jonathan Motzfeldt, who once again got the top score with 1,152 votes in the Southern Area.

Asked directly whether it could have any influence on the leadership of the party, Otto Steenholdt answered that "the leadership will be established at the national meeting." So perhaps there are two interesting national meetings on the way.

Many Economic Problems Unsolved

DEN FRIE AKTUELT in Danish 7 Jun 87 p 11

[Article by Lasse Ellegaard: "Greenland Slide"]

[Text] Beyond the farcelike removal and reinstatement of Government Chairman Jonathan Motzfeldt, Greenland faces a series of economic problems. And the differences between "private initiative" and public leadership will not decline.

When RADIOAVISEN chief Ullori-Anuguaq Kristiansen, had wished the nation "continued good humor" after TV's election report, it was going on 2:30 a.m., and the sunshine had long been golden over the fields of clearly planlessly arranged houses, institutions, and white gray blocks of buildings. Nuuk by night.

On the way home to Radiofjeld, the Toyota drove around an unusually large number of drunks -- mostly young fellows who were staggering along to the next sixpack of canned beer at the next election party and in this way contributing to the picture of Greenland as a drunken community.

Drunkenness, everyone agrees, is a problem, just like the syphilis epidemic on the coast and gonorrhea everywhere. But basically it is not something one talks about. Not about the finance law, either, where in a social budget of a total of a quarter of a billion, five million kroner is put aside to prevent alcoholism.

In And Out of the Cold

What one talks about here after the election is the sliding course of Siumut Chairman Jonathan Motzfeldt out of and into the government, which was first formed Tuesday and where he now seems assured a top position as government chairman with church and culture as his main area. But IA member Josef Tuusi Motzfeldt (of the same family) could not in the course of the week help humiliating the country's leader up to now just a little bit more by stating that he thought "the area of culture is so important that it should not be placed under the government chairman."

Man in Difficulty

Jonathan, as everyone calls him, got into real trouble when he went into RADIOAVISEN on Thursday, two days after the elections, and declared himself to be "positive" about governmental cooperation with the nonsocialist Atassut Party.

At that time he was already in trouble, in view of the fact that Siumut's strongman, Lars Emil Johansen, had made it known that Jonathan's days as party chairman were numbered. In August Lars Emil himself will be a candidate at the national meeting and without further ado take over the chairman's post.

And just a few hours after Jonathan had spoken with "his old school pal," Atassut Chairman Otto Steenholdt, in RADIOAVISEN, Lars Emil Johansen held court in Hotel Gronland's restaurant. At the table were a few of the important politicians from the Marxist IA, and no one passing by could help noticing the friendly atmosphere. Lars Emil had met his chairman that same afternoon between two flights in Narssasuaq, and Jonathan had asked him, "Where are you going?"

"To the executive committee meeting," Lars Emil had answered.

In itself remarkable in view of the fact that Jonathan Motzfeldt had always been the chairman of Siumut's executive committee, but was on the way to a confirmation in Julianehab. He obviously did not know that a meeting of the executive committee had been called the day after. It resolutely dismissed Jonathan as government chairman. His time as prime minister seemed to be over. Apart from the detail that it is the Landsting that chooses the chairman-- and this detail saved Jonathan's position. When he himself showed up by way of a special charter aircraft Saturday afternoon, his countermove was a threat to split the party if the executive committee insisted that he be overturned.

"He only needs to find a weakling in the group and to bribe him with a government post and a house, and the IA-Siumut majority is gone, and then we will have a nonsocialist government," as one of the observers of the drama noted. Jonathan Motzfeldt and one more would tip the majority in the favor of the nonsocialists 14-13.

Soft-spoken

Jonathan remained. The price was high. He has no influence. The GTO area is taken from him, the same applies to the Landsting chairmanship (corresponding to the Folketing chairmanship), where Moses Olsen is appointed to a solid job with a slightly higher expense account, and finally Lars Emil Johansen will run as a chairman candidate in August. It was touching to hear Lars Emil Johansen speak so softly after the coup had failed. "I was the one who suggested this solution, he explained in the Greenland RADIOAVISEN, "We are a broad party..."

Now Motzfeldt keeps his position cap and gets the responsibility for culture and church, and most people think that he will leave when the Church Ministry in Copenhagen bows to the long-time pressure and grants Greenland a bishopric. Jonathan is a pastor, too, of course, and a problem in Greenland is to find comfortable jobs to retire to for people one would like to get rid of.

Ovens Without Wood

But there is talk. And the talk is that the left wing did not dare let Jonathan run to a conservative government with a single defector. There is much too much at stake in the economic policy. Siumut, sometimes together with IA, has governed for the eight years Greenland has had a government.

At stake is primarily fishing, but also investments in the country, there is the expansion of the infrastructure, there is the development of the trade schools that are to be "Greenlandized" so that in the future one can avoid Danish teachers at the metal school having the pupils make ovens as a final task ... in a country without wood.

There are enough problems to tackle in a country in which the gross national product per individual in 1983 was just under 42,000 kroner compared with just under 68,000 kroner in Denmark.

Greenland is an underdeveloped country, and it has been the policy of the leadership to create a sort of SF model where the public sector sits tightly

on the most important economic sectors, production, trade, transportation, and fishing.

As a result of shrimp and redfish, Greenland is one of the very few countries in the world that have a positive trade balance with Japan. Also because the outpouring of video machines, CD equipment, and the dominating Japanese automobile makes, which the Greenland elite are wallowing in, are imported by way of Denmark. But just the same -- shrimp and fish are exported in great numbers, and the government has through the years favored itself -- which means the 17 trawlers, of which 10 are able to produce for export on board.

Preference

This preference is made by the License Committee, which is established by the government, and which sovereignly distributes quotas to private fishermen and to the government's own boats. The ratio is two to one. The private boats, for example can fish 36,000 tons of shrimp, while the public boats can fish 18,000 tons. All in all reasonable enough if one counts the tonnage.

But when a new protest party was formed before this election, Issittup (Polar Party), with support from the large trawler owners and with the fishermen's chairman, Nikolaj Heinrich as the main candidate, this was because the private fishermen feel they have been treated unfairly. The government's trawler fleet gets its quota en bloc, while the private ones get quotas per boat. This means that a public trawler with ice damage can give its share to another trawler. The private ones cannot do this.

The fishing areas in Northwest Greenland are distributed generously to the private sector, which in turn finds that the areas in western and southern Greenland are turned over to an increasing degree to the government's boats, which therefore save time and fuel, because they have a short distance between fishing areas and factories.

Privitization

It is quite common policy, and it led to the cry for "privitization," which the Atassut Party had to adopt, but which Otto Steenholdt immediately dropped after the elections, the same moment he got a glimmer of a government post in cooperation with Jonathan Motzfeldt.

Just as it is quite general policy that Jens Lyberth, chairman of SIK (Greenland Workers' Union), is now stepping down as chairman to become a government member, and in doing so is running from the difficulties that will arise when his super agreement with the Danish employers in Greenland -- that is, businesses with headquarters here -- has a catching effect on the purely Greenlandic agreements.

The Greenland employers have calculated that the coming agreements will cost the government -- which is the largest employer -- something between 40 and 50 million to make new agreements in the labor market.

Greenland labor has been cheap up to now, but otherwise everything is expensive. It cost almost just as many millions to develop a foundation for a shrimp factory in Asiaat, Egedesminde, and to build a road there, as it cost to build the whole factory, namely 68 million kroner. Almost to the ore the amount the factory itself was budgeted for. It got more expensive, namely 84 million, but everything gets more expensive in Greenland -- taxes, too, which are up by 30-31 percent.

Mining for Beer

The fall in the trade deficit, on the basis of which Siumut called elections, was caused by rising exports of about 100 million and falling imports of 200 million, which only comes as a result of the fall in oil prices. Imports of "alcohol and tobacco" rose by 21 million to a quarter of a billion from 1985 to 1986. In Greenland 35 million bottles of beer a year are drunk, so at present the miners are about to blast themselves a place in the mountains near Nuusuaq, Nuuk's home suburb, to make level ground for a beer factory with a yearly production of 35 million bottles. One of the Danish workers out there, who went and moved a few boards, claimed to know that the government had received "40,000 applications for work."

This is not the case.

First International Market Loan

Copenhagen BERLINKSKE TIDENDE in Danish 17 Jun 87 p 6

Greenland's government has asked the Landsting for an additional appropriation of 266 million kroner beyond what has already been approved in the finance law for 1987. With this, Greenland will go out for the first time to borrow on the international money market, according to Greenland's RADIOAVISEN. A good 90 million kroner will be invested in housing. The other two-thirds of the 266 million kroner will be invested in government business activities.

9124

CSO: 3613/106

JAN-MAGNUS JANSSON: NONSOCIALISTS MISSED GOLDEN OPPORTUNITY

Helsinki HELSINGIN SANOMAT in Finnish 14 May 87 p 11

[Article: "Jan-Magnus Jansson on Government Solution: 'Bourgeoisie Missed Golden Opportunity'"]

[Text] In the opinion of Professor Jan-Magnus Jansson, the events of the spring in government policy were historical since "the bourgeoisie missed its golden opportunity". To him it is surprising that the political power represented by the cooperation among bourgeois parties is never used in Finland.

At a meeting of the centrist Republic Society in Helsinki on Wednesday Jansson stated that the power positions of the Social Democrats have become even stronger as a final result of the government negotiations. Bourgeois cooperation, on the contrary, has been completely crushed.

In his opinion, the plans for a bourgeois government remained relatively flimsy: "If a parliamentary majority has, in fact, conclusively agreed on government cooperation, it cannot help but be accomplished," said Jansson. In addition, the fact that the Center Party withdrew its demand for the prime minister's post too late had a disturbing effect in his opinion.

Jansson believed that if the current form of cooperation becomes long-term, it will shake the foundations of party life established so far. The positions taken by the Conservative Party and the SDP are so close to each other that there does not seem to be any room between them for a third force.

Jansson also pointed out that Finland is now without an actual right wing. However, he warned that the Center Party is moving to the right.

10576

CSO: 3617/94

POLL: SUPPORT FOR CONSERVATIVE PARTY UP SLIGHTLY AFTER VOTE

Helsinki HELSINGIN SANOMAT in Finnish 9 May 87 p 13

[Article: "Gallup Polled Support for Parties: Conservative Party's Popularity Up Slightly After Elections"]

[Text] The Conservative Party's popularity has risen 1.5 percentage points since the March parliamentary elections. Support for the Rural Party and SKDL [Finnish People's Democratic League], for its part, dropped about 1 percentage point and support for the Center Party fell off by a little less than 1 percentage point.

Finnish Gallup conducted a poll on support for political parties on 2--29 April. At that time, it was already known for the most part that Bank Director Harri Holkeri (Conservative) would receive the job of sounding out and forming a government. The question of party support was asked of 1,161 voting age citizens. The study was requested by the four largest parties.

According to the poll, the combined support for the new ruling parties is 60.6 percent. Among the new ruling parties, only the SMP [Finnish Rural Party] lost support.

The following shows the results of the poll in percentages. The March election results are in parentheses. SDP 24.8 (24.1), Conservative Party 24.6 (23.1), Center Party 16.8 (17.6), SKDL 8.1 (9.4), RKP [Swedish People's Party] 5.9 (5.3), SMP 5.3 (6.3), Greens 4.9 (4.0), DEVA [Democratic Alternative] 4.2 (4.2), Christian League 3.3 (2.6), LKP [Liberal People's Party] 0.6 (1.0), Constitutionals 0.2 (0.1), Pensioners 0.7 (1.2). The group others now received 0.6 percent support and in the elections it received 0.9 percent support.

Among the respondents, 11 percent considered their party support to be a private matter. The interviews were conducted in 101 municipalities, among which 40 were cities and 61 were rural municipalities.

Those interviewed were also asked the reasons for not voting. According to the research institute, reasons for not voting are, to a great degree, connected with distrust of the parties, a sense of powerlessness among voters, and also apathy.

Among the respondents who did not vote, the most prevalent reason was that voting represented no benefit to themselves. Another clearly more frequent factor was that the candidates are not known well enough.

According to the study, the election campaign was considered to be peaceful and excessively centered around party leaders. Generally speaking, the impression is that the parties are avoiding society's real problems. A clear majority of the population, however, considered the elections to be interesting and exciting.

10576

CSO: 3617/94

VAYRYNEN PREDICTS BRIEF LIFE FOR NEW RED-BLUE COALITION

Helsinki HELSINGIN SANOMAT in Finnish 12 May 87 p 8

[Article: "Vayrynen Aiming at Red Earth Government"]

[Text] Korpilahti--Center Party Chairman Paavo Vayrynen is expecting the first difficulties for the brand new government of Harri Holkeri (Conservative) next fall, but the resignation of the government will not occur until after a year at the earliest according to him.

MP Vayrynen explained his views of the new government to students of the Alkio Institute in Korpilahti on Monday.

If the present government were to fall soon, Vayrynen believes that the Center Party will try to enter the government with the Conservatives, but if Social Democratic and Conservative cooperation does not end until later, the Center Party would rather be more willing to form another red earth government.

According to Vayrynen, the Center Party did not go into opposition voluntarily, but it was pushed aside. On the whole, the Center Party was not given equal treatment in government negotiations, which was found to be one of the worst reasons for the upper hand of the Social Democrats.

Northern Finland Populist Movement

Vayrynen warned the Social Democrats of an intensifying right-wing policy and considered that the new government's policy is alarmingly the same as in 1969 when he wrote the book "On muutoksen aika" [A Time for Change].

As far as his own party is concerned, he promised a thought out and moderate opposition policy, which will, above all, address the position of the underprivileged. It will be a counterbalance to the government's policy, which will divide Finland's people into two factions and will favor the wealthy.

Vayrynen calculated the division of the people merely on the basis of the ministers' home districts. The most northern minister is from Jyvaskyla.

He urged the establishment of an even independent Northern Finland movement north of the Vaasa-Jyvaskyla-Joensuu axis so that all of Finland's problems will be addressed. The Social Democrats and the Conservatives are in Vayrynen's opinion primarily concentrated in the area of the capital city.

GREENS MAKE POLL GAIN FOR FIVE MONTHS IN ROW

Slight Drop for SDP

Stockholm DAGENS NYHETER in Swedish 21 Jun 87 p 6

[Article by Sven Svensson: "Dead Even for First Time in 2 Years"]

[Text] The Environment Party forged ahead for the fifth time in a row in the DAGENS NYHETER/Institute for Market Research [IMU] voter barometer for June, while the Social Democrats continued their downward slide. The Environment Party had a support level of 9.5 percent while the Social Democrats had 40.5 percent, a good bit below their election result. The balance between the blocs is even for the first time in quite a while.

The IMU survey was conducted between 10 May and 7 June and 908 people were interviewed. The discussions of the illegal Bofors arms transactions were then at their height but the criticism of the Environment Party for being "confused" and unrealistic had not begun in earnest.

All the changes in the June poll are within the margin of error. However the downward trend for the Social Democrats is clear after declines several times in a row and the same is true of the corresponding upward trend for the Environment Party. No definite conclusions can be drawn from the changes among the three nonsocialist parties.

Results

The results in June, with the changes from the previous poll in April in parentheses, are as follows:

Social Democrats 40.5 (-2.0), Conservatives 18.0 (unchanged), Center Party 11.0 (+2.0), Liberals 16.5 (-1.0), Left-Communist Party [VPK] 4.0 (-0.5), Environment Party 9.5 (+2.0) and "others" unchanged at 0.0. The percentage of those who would not name their favorite party fell from 5.5 to 4.0 percent.

In the April survey the socialist bloc led the nonsocialists with a support level of 47.0 compared to 44.5 percent.

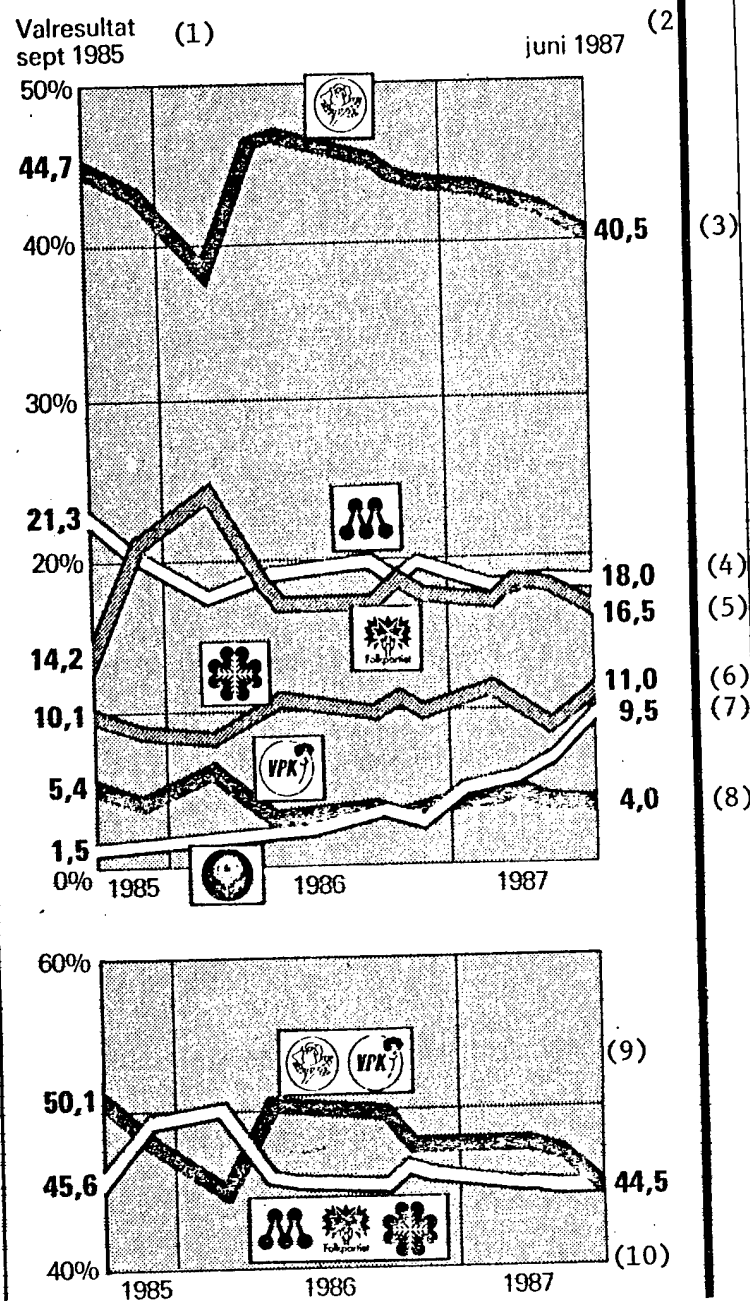


Figure 1. IMU Poll Results

The diagram shows the IMU results for political parties above the 4-percent barrier. The 1985 election results are used as the starting point.

Key:

- | | |
|-------------------------------------|-----------------------|
| 1. Election results, September 1985 | 6. Center Party |
| 2. June 1987 survey | 7. Environment Party |
| 3. Social Democrats | 8. VPK |
| 4. Conservatives | 9. Socialist bloc |
| 5. Liberals | 10. Nonsocialist bloc |

For the first time in almost 2 years there is now an equal balance between the blocs, both of which have a support level of 44.5 percent.

In spite of the remarkable Environment Party gains, the Greens would not have been able to tip the balance in Riksdag if an election had been held in June.

After the murder of Olof Palme in 1986 the Social Democrats had record highs with 46.0 percent in April and 46.5 percent in May (compared to 44.7 percent in the 1985 election).

After that there was a continuous decline in party support for five polls in a row until March 1987 when the party had a support level of 42.5 percent. In April the figure was unchanged at 42.5 percent. Thus the Social Democrats are almost back to the support level they had before the murder of Olof Palme. In February 1986 the party had a rating of 38.0 percent.

Reasons

Several things may have contributed to the declining tendency for seven consecutive surveys. During the May-June polling period the government, and Finance Minister Kjell-Olof Feldt in particular, suffered some painful defeats in Riksdag and the discussion of the Palme investigation and the various Bofors arms deals was not very flattering as far as the government was concerned.

The tables show that the Social Democrats have relatively poor voter support among those in the 18-29-year-old age group and in big cities.

In the long-term trend, which is a moving average over seven polling periods, the Social Democrats have a level of 43.0 percent, which is also below the party's election result.

On the other hand the turmoil at the VPK party congress and the talk about "overcoats" for Lars Werner, did not appear to affect party support significantly. VPK continues to be balanced on the 4-percent Riksdag cutoff barrier.

Advantage

Within the nonsocialist bloc the Conservatives and the Liberals continue the struggle for superiority. This time the Conservatives and Carl Bildt won the advantage. The Conservatives remained at 18.0 percent while the Liberals declined from 17.5 to 16.5 percent.

The conclusion of the June poll is that the figures for the Conservatives and the Liberals are stable. The Conservatives still lie below their election result and the Liberals are clearly above theirs. In the long-term trend the parties are about equal in strength at around 17 percent.

The Center Party's gain of 2 percent, bringing it up to 11 percent, must have come as a big relief just after the conclusion of the party congress in Borgholm. The congress showed that there is big disagreement concerning the party's political orientation.

The Center Party's figures have bounced up and down in several surveys in a row. Therefore it is impossible to draw any conclusions from the upward move in June.

The 11.0 percent figure is a good one for the Center Party. In the 1985 election the party received 10.1 percent of the votes after Christian Democratic [KDS] votes are subtracted. The Center Party's long-term trend level is 10.4 percent.

Record High

The Environment Party's strong advance in voter surveys started after the Chernobyl accident in the spring of 1986. In June the Environment Party posted a gain for the fifth time in a row, this time a 2 percent gain that brought the party's support level up to 9.5 percent. This is an absolute record high and it is also the biggest increase ever between two consecutive surveys.

The Environment Party has relatively strong support among women, people in the 18-29-year-old age group and big city dwellers.

If an election had been held in June the figures indicate that the Environment Party would have cleared the 4-percent barrier and made it into Riksdag.

IMU asked voters how sure they are that they would vote in an election for the party they named as their "favorite party" in the poll.

Some 64 percent of Environment Party supporters said in June that they would vote for the party in an election. The figure is the same as in the April survey.

If six out of 10 people who named the Environment Party as their "favorite" also vote for this party it would produce a result of around 5 percent in an election.

But it is still hard to say how things would actually go for the Environment Party in an election. No one knows for sure how the party would handle an election campaign.

Voting Intentions

Liberal supporters' intention to vote has risen from 59 percent in April to 66 percent today. The increase can be regarded as a partial compensation for the party's decline in the voter barometer if an election had been held in June.

The Center voter figure is unchanged at 72 percent compared to around 80 percent for both the Conservatives and the Social Democrats--a slight increase.

VPK noted the highest figure, 91 percent, compared to 64 percent last time, but the sample of respondents was small. The figure may indicate that the core of VPK's voter base is intact and lies around 4 percent.

Table 1. Voters' Party Preferences

<u>Percentage With Party Preference</u>	<u>May 1987</u>	<u>April 1987</u>	<u>March 1987</u>	<u>May 1984</u>	<u>Long-term Average May 1987</u>
Social Democrats	40.5	42.5	42.5	44.5	43.0
Conservatives	18.0	18.0	17.0	25.0	17.8
Center Party	11.0	9.0	10.5	12.0	10.4
Liberals	16.5	17.5	17.5	7.5	17.4
Left-Communist Party	4.0	4.5	5.0	3.5	4.2
Christian Democrats	0.5	1.0	0.5	2.5	0.9
Environment Party	9.5	7.5	6.0	3.0	5.9
Others	0.0	0.0	1.0	2.0	
Total	100.0	100.0	100.0	100.0	
Could not/would not name "favorite party"	4.0	5.5	4.5	3.0	
Number of interviews	908	941	922	906	

Interviews were conducted in the period 10 May-7 June 1987.

The most important tendencies in this voter survey are a continued gain for the Environment Party and further losses for the Social Democrats. The gain for the Center Party may be temporary and it is too early to conclude that the party is on its way up out of the slump it has been in since the 1985 election.

Changes between the latest poll and the previous one all lie within the statistical margin of error.

Changes between two consecutive polls must be interpreted with great caution unless they are noted as being statistically significant. Instead one should note trends over the last three polling periods or differences in relation to the long-term trend.

The statistical margin of error for a single poll is around 3 percent for the Social Democrats, around 2.5 percent for the Liberals and the Conservatives, around 1.9 percent for the Center Party and around 0.7-1.5 percent for other parties.

The long-term trend is calculated as a moving average of the last seven polls.

The polls are conducted with a nationally representative sample of Swedish citizens between the ages of 18 and 74. The interviews are carried out via home visits. The question asked is: "Which party is the best one in your opinion?" Preferences are indicated with the help of "election ballots" and "election envelopes."

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Greens' Solutions Still Unclear

Stockholm DAGENS NYHETER in Swedish 21 Jun 87 p 2

[Editorial: "Green for Environment Party?"]

[Text] The Social Democrats are slipping, VPK is balanced on the 4-percent line and the Center Party and especially the Environment Party are moving ahead with gains of 2 and 2.5 percent respectively in the opinion polls. The socialist bloc had the support of 44.5 percent of the voters, the "non-socialists" had the backing of 45.5 percent. The Environment Party went up to 9.5 percent from 7.5 percent last month. All this according to the IMU voter preference poll that appears in DAGENS NYHETER today.

First, a reservation or two.

Comments on opinion polls should be made with a degree of caution that is routinely lacking in such commentaries. The IMU survey, for example, was conducted in a way that is supposed to resemble an election situation. The intention is good. The only problem is that we did not have an election situation in this country in May 1987.

In addition almost all the changes lie within the margin of error. The only party that had a statistically significant increase in voter support was the Environment Party whose support level increased from 7.5 percent in April to 9.5 percent in May. Since May 1984 the Greens (as they now appropriately call themselves) have gone from 3 to 9.5 percent of voter support. Is this--assuming that the polls are reliable--a sign that the Environment Party will definitely qualify for Riksdag representation in the next national election?

That is not entirely certain. In the first place the Riksdag election is scheduled for September 1988, not May 1987. In the second place the Environment Party has won points and publicity by using popular slogans and cliches: We should all live in pleasant small towns with clean air and clean water, without any risk that our jobs will be threatened by international competition (because foreign trade would be restricted).

The weakness in the Greens' message is that they do not present their extreme proposals in terms of goal conflicts. In the choice between preserving the material standard of living and the small-scale "clean" local community the Environment Party chooses the latter without explaining clearly that this is done at the expense of the former. If the party's so-called "spokesmen" were sufficiently honest or perceptive they would propose a drastic reduction in the standard of living as the price that is necessary for the social transformation they want (one that people who have other wishes will be forced to accept against their will).

The established parties will have a simple time dealing with the Environment Party in debates if they ask the party to describe the problems--and its own solutions--in terms of goal conflicts. (This means that two goals are irreconcilable so that one can be achieved only at the expense of the other. A conflict of goals forces the decision-maker to make a choice.)

But how can the established parties criticize the Environment Party on this point as long as they themselves systematically steer clear of describing the problems and their own solutions in terms of goal conflicts?

Green Spokesmen Comment

Stockholm DAGENS NYHETER in Swedish 22 Jun 87 p 12

[Article by Sven Svensson: "Greens Expected Record High"]

[Text] "It was good, but we expected it."

That was party spokesman Birger Schlaug's comment on the record 9.5 percent support level the party noted in the DAGENS NYHETER/IMU voter barometer for June. In the June barometer the nonsocialist bloc had a slight advantage over the socialist bloc for the first time since February 1986.

"We have emerged victorious from both the objective scrutiny of the mass media and the vulgar attacks of the old parties," Schlaug told the TT news agency.

Two Threats

"The figures did not come as a surprise because we have seen an enormous response to our environmental policy as well as to our demand for a simple and straightforward tax policy.

"The Environment Party sees two threats at this time. One is that we will be excluded from TV election debates and the other is the increasingly precarious economic base we have in relation to the Riksdag parties. This spring they provided themselves with additional millions in order to stop the Environment Party," said Birger Schlaug.

Party comrade Eva Goes thinks it is satisfying that people now have confidence in the Environment Party.

Information

"Now we have enough interest as an alternative. Ingvar Carlsson completely missed the mark when he said that we are a single-issue party. The remark was to his own discredit. But that is the way it goes when people are not familiar with our policy," said Eva Goes.

She thinks voter confidence will be sustained until the next election, but this is based on the assumption that people will actively seek information about the party's political program.

"The voters have two alternatives. Either to keep going with the present political chaos or to make sure that we create a future for the generations that come after us."

The June poll showed that for the first time since February 1986 the non-socialist bloc had a slight advantage over the socialist bloc.

In the poll the three nonsocialist parties had a total support level of 45.5 percent and the socialist parties had a level of 44.5 percent, with the Environment Party, the Greens, in a position to tip the scales. Some issues of DAGENS NYHETER's Sunday edition erroneously reported that the balance between the political blocs was even in the June survey at 44.5 percent apiece.

A turning point in the opinion polls occurred in connection with the murder of Olof Palme in February/March 1986.

Up to the time of the murder the nonsocialist bloc had an advantage in the voter opinion polls with a rating of 50.0 percent in the February 1986 poll compared to 44.5 percent for the socialist bloc and 3 percent for the Environment Party. The Social Democratic support level was as low as 38.0 percent in February 1986.

Reversal

In the next poll in April 1986, after Olof Palme was murdered, the situation was reversed. The socialist bloc had a rating of 50 percent compared with 46.5 percent for the nonsocialist bloc and 2.5 percent for the Environment Party. The Social Democrats had a record increase in one polling period, gaining 8 percent to reach a support level of 46.0 percent.

The battle for the votes of environmental sympathizers will intensify in the near future. The Social Democrats, who have probably lost the most supporters to the Environment Party, will present their guidelines for environmental policy at a seminar in Trosa archipelago on Friday. Along with tax policy, environmental issues will dominate the party congresses that the Social Democrats, the Liberals and the Conservatives will hold this fall.

Carlsson Fears Problems With Greens

Stockholm DAGENS NYHETER in Swedish 22 Jun 87 p 12

[Article by Thomas Sjoberg]

[Text] "The Environment Party does not constitute a threat to democracy. But it will be harder to rule Sweden if the party gets into Riksdag."

That was what Prime Minister Ingvar Carlsson said after the DAGENS NYHETER/IMU voter barometer was published on Sunday.

The Environment Party now has the support of 9.5 percent of the voters. If this level is maintained it means that Ingvar Carlsson will be forced to accept the Greens as the party that can cast the decisive votes on important political issues.

The prime minister met Austrian Chancellor Franz Vranitzky yesterday for a rowing trip in Harpsundsekan and was not at all inclined to talk about voter support for the Environment Party. First he referred us to party secretary Bo Toresson and then found putting on his life jacket a convenient excuse for avoiding the subject.

But finally, visibly annoyed at the remark attributed to him that the Environment Party is a threat to democracy, he said:

"I never said that but I did say it will be harder to govern Sweden with a Riksdag party that cannot choose between the right and the left when it comes to the prime minister issue.

"That will create problems when a new government must be set up. I think this should be emphasized."

We asked if the progress being made by the Environment Party means that Sweden is going to be hard to govern.

"I have indicated a problem concerning a party that cannot make up its mind. And it is one thing to do well in opinion polls and quite another on election day. But I interpret this as meaning that there is a lot of interest in environmental issues."

Motives of Supporters Analyzed

Stockholm DAGENS NYHETER in Swedish 29 Jun 87 p 2

[Editorial: "Green Opinion"]

[Text] There are two theories about how the voters stand in relation to the Environment Party's program.

One, put forth by the leaders of the Environment Party, is that when the party gets its message across as strongly as the established parties, support for the Greens will increase. Lack of knowledge about what the party stands for is a disadvantage.

The other theory says just the opposite, that voter support for the Environment Party will decline when the general public finds out what the party wants in more detail. Voter knowledge of more than the party's appealing name will hurt it, for only a very small segment of the Swedish public wants the society advocated by the Greens, which would include radical limitations on trade both inside and outside the country.

The June poll from the Swedish Institute for Public Opinion Polls [SIFO] is interesting primarily as a first test of which of the two theories is closer to the truth. It is the first poll of party support that has been carried out since the Environment Party held its congress on 28-30 May.

One can draw the cautious conclusion that the Greens' own voter theory was not substantiated. No party has had such media coverage as the Environment Party had in May and June. Its program was thoroughly reported. After that the Environment Party's rating dropped in the SIFO poll.

But the June level is still high for a new party in stable Sweden. And if the old parties follow up the idea in SVENSKA DAGBLADET's commentary on the SIFO poll that environmental opinion is "marginal," the Greens will probably get fresh wind in their sails. It is really not true that the gravity of environmental problems has been intensified by the Environment Party. The connection is just the opposite. The concern and strong feelings about the environment we live in--forests, water, air, the absence of noise--are shared by almost all Swedes. It is not a "minor opinion," as SVENSKA DAGBLADET maintains. The issues--and the need to stress their consideration in analyses and conclusions--are considerably larger than the Environment Party.

6578

CSO: 3650/174

SDP DEFENSE PLAN CAUSING CONCERN IN NATO

Helsinki HUFVUDSTADSBLADET in Swedish 1 May 87 p 13

[Article by Sigyn Alenius]

[Text] Copenhagen--In a report being published today, Denmark is sharply warned against not taking its membership in NATO seriously enough. Deep concern over Denmark's will to defend itself and cooperate with others is being expressed not only at NATO headquarters in Brussels but also in Norway, Great Britain, and Holland.

Great Britain's and Holland's views are being published in a summary that will be made public on Friday by the British International Institute for Strategic Studies.

The warnings from Norway, Great Britain, and Holland have been growing louder since the Danish Social Democrats put forward a new defense plan some time ago. The party emphasizes in its plan that membership in NATO will probably continue to be the basis of the country's defense but that at the same time, Denmark will strive for a purely defensive force and dissociate itself from all offensive weapons.

Large units such as frigates and heavy aircraft will be eliminated in favor of a light coastal defense force and fast destroyers, say the Social Democrats. The party also says in its platform that there is no need to send a Danish brigade from Jutland down to the Schleswig-Holstein border area in case of a threatening situation, as is called for in NATO's current strategic plan. The Social Democrats feel that that brigade can be kept in Jutland and handle its defense duties there.

Norway, Holland, and Great Britain have all interpreted that proposal as reflecting an unwillingness by the Danes to cooperate. According to that same NATO strategic plan, Great Britain and Holland are both supposed to send quick assistance to Denmark if a threatening situation should arise.

The attitude in both those countries is that if Denmark does not want to send troops to the north German area, there is no reason for Holland and Great Britain to send soldiers to Denmark.

For reasons of economy, it has been proposed in both countries that assistance for Denmark be withdrawn if the Danes insist on cutbacks in the Danish defense effort.

The Norwegians have pointed out several times that NATO's entire northern flank has become increasingly important in recent times and that Norway is therefore being forced to concentrate more on defenses in the north, with the result that instead of cutting back, Denmark should be stepping up its contribution to NATO.

At NATO headquarters, it has been pointed out several times that in economic terms, Denmark is among those countries participating in Western defense which devote the smallest percentage of their GNP to defense: 2.3 percent. The other members making a low economic contribution are Canada (2.2 percent) and Luxembourg (only 1.2 percent). Iceland, which has no Armed Forces at all, is by far NATO's most important area.

The British report comes at the right time for the Schluter government, which has consistently worked to increase defense appropriations, whereas the Social Democrats want to cut back. The agreement which governs the financing of the Danish Armed Forces expires this year. That agreement was accepted by both the nonsocialists and the Social Democrats, and the attitude of the current four-party Schluter coalition government is that the Social Democrats should also be a part of the coming agreement under all circumstances.

A majority formed with the Radical Liberal Party, which supports the government on economic issues, cannot be counted on since the Radical Liberals oppose defense spending.

The nonsocialist government's proposal calls for increasing defense spending by 400 million kroner per year next year and by twice that amount the following year. The Social Democrats, on the other hand, feel that spending should be kept at its present level.

11798

CSO: 3650/141

MISSION OF FROGMEN DESCRIBED

Copenhagen BERLINGSKE TIDENDE in Danish 18 Jun 87 p 8

[Article by Nils Eric Boesgaard: "Frogmen on the Attack"]

[Text] The Navy's Frogman Corps is one of the military units that the civilian community constantly draws on, first of all in the search for downed aircraft, lost ships, and drowned persons. Yesterday the corps had its 30th birthday.

They know all the tough tricks, the men in the Navy's Frogman Corps, who yesterday held open house at the Torpedo Station Kongsore near Nykobing Zealand on the occasion of the 30th anniversary of its establishment in 1957.

In the icy, almost winter wind over Isefjord they showed how one jumps from airplanes and helicopters with and without parachutes, how one is picked up by a speedboat at full speed, how one infiltrates an enemy coast, "kidnaps a general," and gets away safely, while bombs and grenades whip up the water.

"The frogmen are the oldest special corps in the Danish forces. They are the Navy's commandos. They can do the same as the Army's Commando Corps and a little bit more," the chief said, Naval Commander P.V. Norit.

In peace time the Frogman Corps only has about fifty men, divided into combat patrols of eight men each, whose primary task in war will be to penetrate behind enemy lines and do him as much harm as possible.

An obvious mission is to combat enemy special units like, for example, the Soviet spetsnaz forces, with their own means," the commander said.

Therefore the frogmen are also used extensively to train the Home Guard in guard missions. They take part in the Home Guard's exercises to demonstrate how difficult it is to protect a sabotage target against such specially trained elite troops. In peace time the Navy uses the frogmen particularly in the search for sunken subs and in the rescue of persons trapped in sunken subs.

With Modern Equipment

The Frogmen's Corps has highly specialized equipment at its disposal. Diving suits with oxygen cylinders that make it possible to swim unnoticed under water, powerful motorboats, so-called Sea-Trucks, a series of different types of rubber boats with speeds between 20 and 40 knots, and two-man kayaks. Their weapons are the M-49 machine pistol for use while swimming, and Heckler and Koch for use on dry land.

The corps is one of the military units that the civilian community constantly draws upon. This applies particularly to the police, who use the frogmen to search for lost aircraft, vessels, and persons in the open seas, lakes, and bogs.

It is an attractive job being a frogman, but it is also hard on the body. After their military service is over, many seek to enter Falck or fire departments, where they operate in relatively shallow water.

"Others are tempted by offers from off-shore oil-drilling companies of 120-130 thousand kroner a month, knowing full well that in the long run it can cost them their health," a former frogman, Orla Aagaard, said, who now works for Falck.

9124

CSO: 3613/104

COLLOQUIUM EXPLORES BUNDESWEHR STRUCTURE, RESERVE PROBLEMS

Bonn DAS PARLAMENT in German 30 May 87 p 17

[Article by Dietrich Wagner: "Reserve without Rest? On Defense Structure Planning in the Nineties--A Meeting at the Theodor-Heuss-Akademie in Gummersbach"]

[Text] The future of the Bundeswehr was the agenda when the 'Study Group for Military and Social Sciences, registered association' (AMS) met for its annual conference at the beginning of April. 'The defense structure of the nineties. An army of reservists, militia or...?' was the topic selected this year by the politically independent association which is comprised primarily of journalists, scientists and soldiers.

"The federal government proceeds from the assumption that the Bundeswehr will have a force of 495,000 soldiers in peacetime to ensure a forward defense with standing troops and to guarantee the mobilization measures...Starting in 1987 the strength of the armed forces in a case requiring defense is to be as high as 1,340,000 soldiers..." said Dr Paul Klein from the Institute for Social Sciences of the Bundeswehr (Munich) in his presentation on 'Leadership Personnel in Reservist Units'. However, Klein expressed his doubt that the figures mentioned are realistic and suitable for the requirements of military policy in the nineties. He considered the figures inappropriate particularly because of the demographic development in the Federal Republic. It has to be expected that the personnel requirements of the armed forces can no longer be met as early as the late eighties.

Moreover, Klein pointed out that it is very hard to imagine the conscription of several hundred thousand reservists in the late nineties considering the sceptical attitude the majority of the reservists has towards reservist exercises. In his words, the military administration with its inadequate organization and staff presents an obstacle. Material incentives are also missing; the planned frequency of exercises as well as the equipment for the mobilization units do not contribute to the motivation of the reservists. A militia modelled after Switzerland could be useful. In any case, the Bundeswehr would have to improve the training of the trainers in the coming years.

Lack of Knowledge

Prof Armin Steinkamm of the University of the Bundeswehr (Munich) presented a questionnaire campaign with the topic 'The Franconian Shield--Empirical Findings on Reservists'. The campaign had been carried out by the Association of Reservists of the German Bundeswehr, registered association, during the Bundeswehr maneuver 'Franconian Shield' in 1986. It showed that most reservists were not informed about the purpose, progress, or situation development of the exercise either before or during the exercise. Many reservists felt they were assigned incorrectly and did not know anything about special reservists seminars. Two questionnaires with the slogan 'What's the problem' were distributed among the participants during the maneuver (the first one at the beginning, the second one at the end). In the first questionnaire 82.4 percent answered that their wife/girl friend was not in favor of the reservist reporting for military exercises. Only 18.8 percent of those questioned expressed their willingness to participate more frequently in military exercises. Forty-four percent indicated that they had job-related problems due to their draft call.

In the second questionnaire, 39 percent of the reservists expressed their satisfaction with the progress of the exercise, 64 percent confirmed that they were assigned in line with their military training. In contrast to the first questionnaire, 23 percent now indicated that they wanted to participate in additional military exercises on a voluntary basis in the future.

Other presentations at the conference dealt with the 'General Conditions and Planning for the Personnel Structure of Bundeswehr in the Nineties' (Colonel in the General Staff Helmut Schmidt, Defense Ministry), 'Draft and Military Service in the Nineties. Problems for the Leadership, Training, and Motivation' (Brigadier General Georg Bernhard, Defense Ministry). Professor Klaus von Schubert, head of the research agency of the Evangelical Study Group (Heidelberg), discussed international matters. Under the topic 'Strategic Requirements for a Future Defense' he presented a model which is intended to reduce the crisis susceptibility of the alliances in East and West.

Structural Reform is Necessary

According to his presentation, this model which is based on various concepts from the topic 'Structural Inability to Attack' takes into consideration the basic rules of modern military strategy in East and West, according to which the military effort should be reasonably proportionate to the danger of war. The most recent proposals of the Soviet Secretary General and the American President on the reduction of the medium-range potential in Europe reflect this viewpoint. It is characteristic of NATO and the Warsaw Pact that their military planning is based on deterring a conventional large-scale attack in Central Europe. This is based on the 'worst-case' idea and assumes that the other side is willing to risk the existence of its own territory. This has to be counteracted by a strategic thinking which reflects the variety and flexibility of the changes in social policy today. This new thinking also means that an effective crisis management in Europe today must go beyond individual systems or blocs.

One result of the meeting was the demand for an intensive dialogue on the structural reform of the Bundeswehr. Questions such as the necessary extent of the draft, the purpose of the draft and mission of the armed forces, the meaningful and necessary peace range of the Bundeswehr need to be clarified. However, during the meeting it became clear that a radical restructuring of the Bundeswehr based on the Austrian model--on the one hand a standing army with volunteers who serve for a longer period, on the other hand militia-type components based on short training and draft close to one's home residence--seems hardly possible. The basic tenor of the conference participants was somewhat less ambitious: all questions related to the military structure must be based on a broad discussion on security policy and interrelated with the prevailing trends in social policy. They must be embedded in a foreign policy concept which is based on detente and disarmament. This is the only way to organize and convey defense policy credibly and with a political justification also in the nineties.

12831

CSO: 3620/246

MAS TURNS TO NBC PROTECTIVE GEAR, OPTICS, ELECTRONICS

Paris L'USINE NOUVELLE in French 21 May 87 p 33

[Article by Jean-Pierre Casamayou: "MAS Changes Its Mind"]

[Text] Organic materials, equipment for turrets, and chemical protection materials. More profitable market openings, and that are accompanied by elimination of jobs.

The Saint-Etienne Weapons Plant (MAS) is preparing to produce the new gendarmerie automatic pistol. Everything is ready in the workshops to receive new machines and equipment. More than 20 million in investment is planned. However, the Defense Ministry has not yet made known its choice between the Beretta F92 that MAS will produce under license and the Swiss Sig 226 offered by Matra-Manurhin. At any rate, MAS considers that it is sure to win. It offers several reasons: the Italian automatic pistol is easier to manufacture and its industrialization has been perfectly mastered, since 10,000 per month are produced for the U.S. Army.

However, even if MAS wins the contract, it will have to assign production of part of the mechanism to the Mulhouse company, which also firmly believes that it will win this market, which is more symbolic than job-creating. Gerard Calenge, director of MAS, indicated: "The pistol will add no more than 50,000 work hours per year. It will never replace the commitment we have in the Famas."

Today, production of this automatic rifle is declining; 2,400 per month, and half next year, until the whole French Army has been equipped: 310,000 weapons. Soon this arsenal, which is famous for its rifles, from the Chassepot to the MAS 49-56, will only be producing a few of the FRF1, a gun for marksmen. It must thus evolve, find other products to compensate for the decline in its traditional production, rifles and light turrets.

Also, the MAS situation is an illustration of the problems facing GIAT [Ground Weapons Industrial Group]. Drop in production plan, personnel surplus, and too strict a legal environment. However, without waiting for the measures to be decided by the Ground Forces Department, the Saint-Etienne had already reacted by developing new activities and by strengthening research and development. Despite all this, some job elimination is necessary. The personnel surplus is estimated at between 250 and 300 out of a total of 2,045.

Beginning next year, some 100 workers will leave on early retirement. The others will be transferred to the Navy arsenals (Cherbourg and Indret) on a voluntary basis.

While the worker complement is to diminish, Gerard Calenge wants to increase skilled personnel, technicians and engineers. Already, the staff of the design office exceeds 150, and the CFAO has made its appearance. The MAS director has decided to direct his efforts into more productive market openings: organic materials, equipment for turrets, and chemical protection equipment (NBC) [nuclear, biological and chemical].

MAS will establish a division specializing in organic products, of which it is mastering the technology. With the goal of being sole supplier of the entire GIAT. Already it has developed a light turret of composite material that can be mounted on the future support-protection helicopter. A stage. For the "turret" division no longer wants to confine itself in its traditional trade. It is producing more and more equipment: electronic packages for the Hades missile-launcher, and tank optics and viewing scopes. The MAS director explained: "Our opportunity is to do less mechanics and more electronics and optics. Our goal is to reduce the mechanical activity by 80 percent to 55 percent." In order to increase its high tech, MAS is going to invest more than 50 million per year in electronics and composites, and install flexible production islands for optics.

However, the most promising opening is protection against nuclear and chemical dangers. Saint-Etienne is producing some of this in its workshops. All of the individual and collective protection equipment for the French Army (one of the best equipped in this respect): masks, detectors, filters and air conditioning for tanks. Maurice Masson, director of the NBC division, said: "We are one of the rare companies to have mastered the technology in this field; a technology based on an expert mixture of chemistry, electronics, and micromechanics."

Although this activity is still modest (hardly 10 percent of MAS' 890 million in turnover), it should develop quickly, since the Army is strengthening itself in terms of means of protection and civilian security, alerted by the catastrophes of Seveso, Bophal or Chernobyl, and also having to make an effort in this direction. The MAS is prepared to provide to it a whole range of equipment derived from military products. Likewise, benefiting from France's advance in this field, it is offering its equipment for export, to the areas where chemical warfare is a reality. However, this promotion is impeded by the GIAT regulations, which do not permit MAS to be a good trader.

9920

CSO: 3519/134

THOMSON SPECIAL COMPONENTS BRANCH ANNOUNCED

Paris L'USINE NOUVELLE in French 21 May 87 p 27

[Article by Claude Amalric: "Thomson Reestablishes Components Branch"]

[Text] The new unit, directed by Jacques Caumartin, will strengthen its positions. Particularly in the military field, despite an uncertain economic situation.

A Special Components Branch (BCS) was established on 29 April by Thomson-CSF to combine the departments and affiliates excluded from the Thomson-SGS agreement, which was limited to civilian semiconductors. Only affiliate LCC, devoted mainly to condensers, escaped the BCS: it remains attached to CSF without intermediary.

The new branch has 5,000 employees in military (60 percent) and professional activities totaling 2.7 billion francs. Jacques Caumartin, 48, named director of BCS, emphasized: "It is a concentration of unique capabilities for each of the complementary specialties that has top rank in Europe, and a world rank ranging from second to sixth." The major competitors (Hughes, Raytheon, GE, Plessey, AEG, and Siemens) are in fact only competitors on two or three out of the strategic components developed by the branch (progressive wave tubes, hybrid circuits, and CCD charge transfer circuits for infrared).

Yet, fortune is not assured. "If only the General Directorate for Armaments could pattern itself after the American Department of Defense, which finances its industry to the extent of 70 percent," dreams Jacques Caumartin, referring to resources provided by the state budgets (50 percent of the total, at best). Hence, the necessity to export, which is a priority objective.

In regard to exports, the boss of the Electronic Tubes Division (DTE), the big portion of BCS, is advancing on familiar territory. However, the 28 percent of sales that the DTE achieves in the United States has become a nightmare for measure of performance, causing a 3-percent drop in profitability of the division, which nevertheless stayed out of the red last year. "With 6 francs to the dollar, no Frenchman can earn money by exporting to the United States," in the view of Jacques Caumartin.

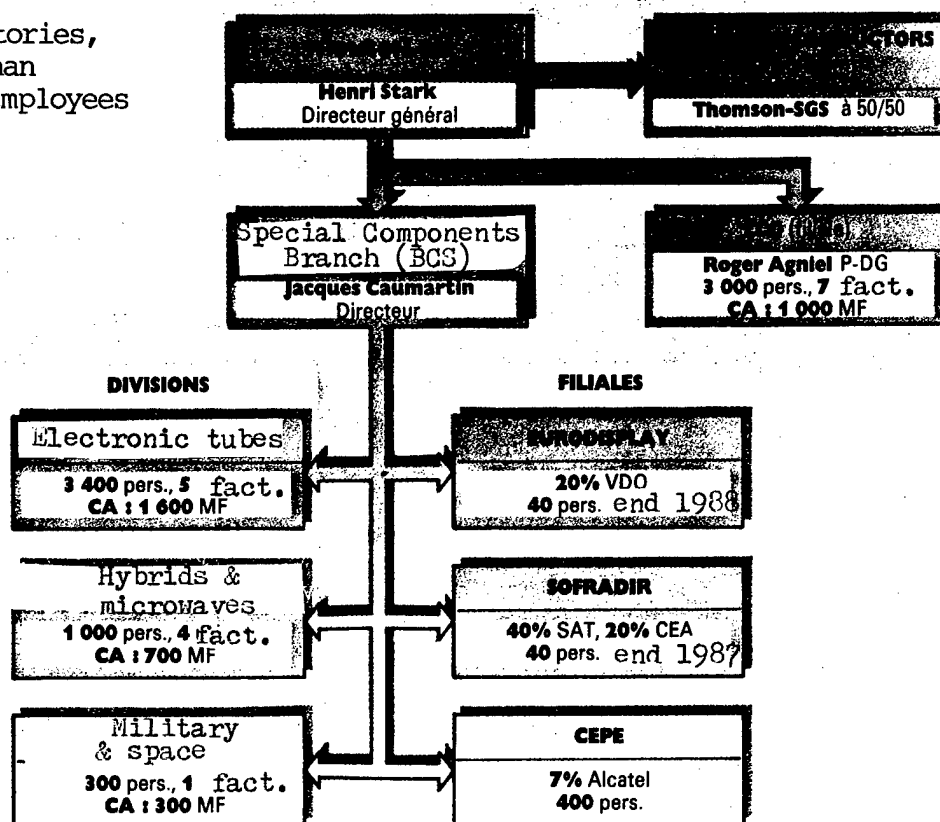
There is a risk concerning military orders especially for DMS, the specialized division (300 employees in Grenoble), and for DHM, the division devoted to

hybrid circuits. Despite the cautious proposals of their new branch director, it is hard to see how these divisions can balance their accounts for the current year, knowing the cost of their research.

Less affected because primarily civilian, the LCC affiliate should rightly achieve a balance this year, after a severe reorganization that closed three factories and established the Marly factory. In components, times are hard for everyone.

Concentration of Unique Capabilities

20 factories,
more than
8,000 employees



9920
CSO: 3519/134

BRIEFS

GIAT CUTBACKS, RESTRUCTURING--The director of ground weapons, Noel Playe, has made the first decisions intended to assure the future of the Ground Weapons Industrial Group (GIAT). With few exceptions, they follow the recommendations of the Engerand report: elimination of 3,000 jobs (out of a work force of 17,000) between now and 1990, without resort to firings, with the reduction being achieved through voluntary early retirement and changes within other DGA establishments (accompanied by transfer bonuses, housing assistance); establishment of a private marketing affiliate that will enable GIAT to fully develop its commercial as well as industrial activity; "intellectual" strengthening through recruitment of engineers and technicians (200 in 2 years) and better continuing training; reduction of the area occupied by certain establishments, and sales of equipment in order to concentrate on the highest-performance machines; and restructuring under single management of the Rennes and Le Mans establishments. [Text] [Paris L'USINE NOUVELLE in French 21 May 87 p 33] 9920

CSO: 3519/134

SUBMARINE ORDER TO THYSSEN SEEN BOOST TO ECONOMY, DEFENSE

Helsinki HUFVUDSTADSBLADET in Swedish 28 Apr 87 p 15

[Article by Lennart Utterstrom]

[Text] Oslo--One of Norway's biggest business deals in recent years has turned out considerably better than the customer (the Armed Forces) or the government in Oslo could have imagined. It is also giving a boost to parts of Norway's export industry.

A contract with the FRG for the purchase of a new submarine fleet was signed in Oslo in 1982. The deal involved primarily an order for six submarines from the West German shipyard of Thyssen-North Sea Works, but it also provided that the FRG would make offsetting purchases in Norway equaling at least 60 percent of the cost of the submarines. So far, Norway's otherwise export-poor economy has sold the West Germans goods and services worth about 3 billion kroner, the equivalent of approximately 2.1 billion Deutsche mark.

Rear Admiral Bjarne Grimstveit has called it the best contract ever signed by the Navy, and a number of Norwegian firms--subcontractors both large and small--have been rubbing their hands in delight over the contract with the West Germans.

The submarine contract with Thyssen will result in a new submarine fleet for western Norway. Six Ula class submarines will have been delivered to the coastal defense force by 1992. All the boats are tailor-made to fit Norway's specific requirements, just as the purely commercial aspects of the agreement have been adapted completely to Norway's need to build up its export industry!

The contract states that at least 60 percent of the value of the order will go back to Norway in the form of barter trade. The Norwegians also expect the deal to generate further interest in the country's goods on the West German market, which traditionally is one of Norway's biggest and most attractive markets.

One of the shipyard's executives, Helmut Hucks, says: "I feel that by 1992, Norwegian industry will have supplied us with goods worth between DM600 billion and DM700 billion.

"That despite the fact that under the terms of the submarine contract, our barter purchases need only amount to DM480 billion."

If anyone has inside knowledge about the amounts and the trade agreement, that person would have to be Hucks. He currently heads the committee overseeing the industrial side of the Norwegian-West German agreement.

The West Germans indicated at first that extremely few Norwegian firms would be of real interest to the Thyssen group. Over the past year, mainly because the West Germans themselves have been very active in the Norwegian market, several hundred firms have been brought into the deal. "We at Thyssen have also tried to familiarize ourselves with Norwegian business conditions in a way that we have never done before," Hucks emphasizes.

To the Norwegians, the submarine agreement was more than just a matter of strengthening what is called the "Navy's fist." It was equally a matter of stimulating the structural change and rationalization now underway in the country's economy--a vital necessity in light of falling oil prices and the general absence of a viable export industry. In contrast to the situation in the other Nordic countries, Norway's industrial landscape is made up of small firms that receive no support from large export-oriented industrial groups.

Despite good petroleum revenues and abundant oil and gas reserves for the future, there are many respects in which Norway's North Sea oil has been something of a curse as far as Norwegian industry is concerned. Export-oriented firms have been neglected for far too long, with the result that Norway now has the worst export structure of any country in West Europe. Whether nonsocialist or headed by the Labor Party, the government in Oslo has grown increasingly aware of the problem in recent years, but has nevertheless found it difficult to guide industry onto the right track. Only in recent years has there been any help in making the difficult changeover that will have major effects in the field of industrial development policy.

The submarine agreement is an important part of that effort; the aim is to provide a boost that will stimulate participation in international competition even when contracts are not being nursed along in a hothouse environment.

When the contract was signed in September 1982, there was a price tag of DM800 million on the six subs, the equivalent of 2.1 billion Norwegian kroner.

The strong rise in the value of the Deutsche mark has added another billion kroner to the bill, and that has caused more than one eyebrow to be raised among the government officials concerned and businessmen alike.

To avoid criticism and cultivate a friendlier business climate for the future, the West Germans chose to voluntarily increase their barter purchases, with the result that 90 percent of that 1 billion kroner is being spent in Norway.

While the deal is a good one for the West Germans, the Norwegians are equally delighted. The Export Council says that this should be the start of new and promising industrial cooperation between the two countries.

And in Norwegian defense circles, that delight is at least equally obvious. Rear Adm Bjarne Grimstveit said in a recent newspaper interview that the submarine contract is the best ever signed by the Navy. It has paved the way for very exciting cooperation between the Norwegian Navy, West German industry, and the West German Navy. It means a development and exchange of know-how and industrial technology that will strengthen defense in both countries.

Modernized Norwegian Submarine Force : Six New Subs in 1990's

Bodo--During the first half of the 1990's, Norway will get a new submarine force. Six new coastal submarines will be delivered by Thyssen, the West German shipyard. According to Norwegian sources, this will mean some degree of change in the military strategic balance in the sea off the Norwegian coast and up toward the Kola Peninsula.

Norwegian defense authorities currently like to talk about "the Navy's fist," which within 5 or 6 years will have been modernized and reinforced with submarines the Navy calls "the world's technically most advanced" diesel-powered submarines.

"We are moving on the fringes of the impossible," said an overjoyed Rear Admiral Rolf E. Pedersen recently as he talked about the country's new submarine force.

Submarines have long been the most important weapon in Norwegian coastal defense. Despite that realization, appropriations for the submarine fleet have several times been forced to take a back seat not only to the other two armed services but also to other priorities in naval defense.

But good will toward submarines has returned in recent years, especially in light of the repeated appearance of foreign submarines in both Norwegian and Swedish waters.

A source in the Norwegian Armed Forces told HUFVUDSTADSBLADET: "In today's defense situation, it makes obvious sense to invest in an expanded and strengthened submarine force."

The cost of the new fleet stands at around 5 billion kroner. For that amount, the country is getting six tailor-made vessels that will operate along the lengthy and difficult Norwegian coast. The purpose is to provide both a deterrent to and a defense against foreign guests who show up unannounced in Norwegian territorial waters.

The Norwegian Naval Command has emphasized several times that the new vessels are being built with the idea that they must be especially adapted to the conditions that prevail along the Norwegian coast.

When the first sub is delivered in January 1991, it will be equipped, like the sister vessels that will come after it, with the most modern command and weapon systems available anywhere in the Western World. The equipment will

also include an ultramodern navigation system, communication systems, and advanced torpedoes. The rest of the weapons arsenal will also be impressive: it will be possible to fire four main weapons simultaneously at different targets.

The Kongsberg Weapon Factory is prime contractor as far as weapons are concerned, and nearly 200 smaller Norwegian firms are involved either as independent equipment suppliers or as subcontractors in the contract manufacture of systems or system components.

The value of the weapon systems alone is said to be about 300 million kroner per vessel—the largest amount ever in the context of Norwegian submarines. In a major report on national defense in 1974, the conclusion was reached that a substantial strengthening of Norway's total defense organization also required special efforts to improve the submarine force.

That report, prepared by the Defense Committee, said that the Kobben class submarines, which had been supplied by the same West German shipyard in the early 1960's, would have to be gradually replaced with a new and more modern fleet and that while the new fleet would not necessarily have to be as large as its predecessor in terms of units, striking power and operational efficiency would be substantially improved.

The guiding principle called for further improving the 15 existing Kobben class submarines by using all the know-how in weapon technology that had been developed since the 1960's. Of the present fleet, six submarines will be allowed to remain in service until the turn of the century, although their weaponry will be substantially improved.

The Norwegian Armed Forces emphasize that faith in the submarine force is returning.

Around the year 2000, when all six Ula class submarines will have been delivered, they will be the seventh generation of Norwegian submarines. In all, 33 submarines have been ordered by the Norwegian state since 1909. The first—which was also known as the Kobben—cost 900,000 kroner, while the cost of this most recent order comes to 600 million kroner per submarine.

Nor is the Thyssen Shipyard a newcomer in this connection. Most of the boats in the submarine fleet came from Germany and the shipyard in Emden. Norwegian shipyards admit self-critically that their know-how is no longer good enough for the job.

The first Norwegian submarine was built as the only one of its kind, but succeeding generations have been ordered in groups of between 3 and 15. There will be six of the Ula class, but more may be added after the next report on national defense is complete.

11798

CSO: 3650/141

BACKGROUND OF NEW SOUTHERN MILITARY REGION COMMANDER

Lisbon O JORNAL in Portuguese 8 May 87 p 15

[Article by C.B.; first paragraph is O JORNAL introduction]

[Text] Of the three appointments made by the Higher Defense Council to high posts in the Army and the Armed Forces in general, General Almeida Bruno's appointment as commander of the Southern Military Region is undoubtedly the least important but, significantly, the one receiving the most mention.

There is no doubt that the appointment of Air Force General Paulino Correia to head the Portuguese military mission to NATO, where he succeeds Vice Admiral Goncalves Ramos, and that of General Sousa Lucena as commander of the Lisbon Military Region, where his predecessor was General Ricardo Durao, are more important than the appointment of a new commander for the Southern Military Region. That is true if we consider the number and importance of the forces that will be commanded by Almeida Bruno.

It happens, however, that the former commander of the PSP [Public Security Police] is going to replace a "rebel general," a fact that emphasizes Bruno's close relationship with Army Chief of Staff Firmino Miguel, who did not want to run any risks this time in a command previously "tarnished" by defiance. But besides all that, Almeida Bruno is a general in the limelight. His 6 years at the head of the PSP have made his name a household word, and because of that, as he himself admitted in November 1983, he cannot "be incognito anywhere."

Almeida Bruno has had a brilliant military career in all respects if we take into account the missions, commendations, and convictions [as published, possibly decorations intended] he has collected over the past 35 years. But at the moment, he is in the uncomfortable position of having to be evaluated more as a police commander than as a military leader.

From Portuguese Guinea to the PSP

As a cavalry officer, he distinguished himself particularly in Portuguese Guinea in the late 1960's and early 1970's, when he worked with then General Spínola, from whom he seems to have learned very well the art of cultivating

the political influence to be gained from high military posts, as has been seen during his time as commander of the PSP.

He was a prominent member of the Spínola wing of the MFA [Armed Forces Movement] and earned himself two prison sentences from the opposite side, once in the aftermath of 16 March 1974 and again after the events of 11 March 1975. During the period when Spínola was head of the Junta of National Salvation and president of the republic, Almeida Bruno headed the Military Household of the Presidency. He was also a member of the Portuguese delegation to the negotiations with the PAIGC [African Independence Party of Guinea-Bissau and Cape Verde] in London and a member of the Council of State.

Until December 1980, when he was appointed commander of the PSP, the then Brigadier General Almeida Bruno had pursued his career in the Army, occupying modest posts such as that of commander of the School for Sergeants and that of director of Army physical education.

As police commander, he replaced a "rebel general," Lopes Alves, who had clashed with Prime Minister Sá Carneiro. During his two terms as commander of the PSP, he was consistently one of the most newsworthy of personalities, although favorable situations were not the dominant note in the image transmitted abroad.

"Theater Police"

To be sure, the PSP command frequently pointed out that people remembered only the negative situations and forgot the persistent and unrecognized daily work by police to combat crime. But it is also true that exaggeration and theatrics characterized the most remarkable actions and polemics.

Among other episodes sticking in people's memories are such ostentatious and apparently unjustified fracasas as the behavior by the Intervention Police at Luz Stadium in May 1981, at Rossio on 12 February during the first general strike called by the CGTP-IN [General Federation of Portuguese Workers/National Intersindical], and on 1 May of the same year in Porto, where the PSP was accused of causing deaths with no justification whatever.

But it was within the PSP that Almeida Bruno was to engage in a more lengthy controversy as he waged a close-fought battle in opposition to the formation of a police union, an issue that left Portuguese police isolated from their European counterparts.

Upholding the idea that unionism is contrary to the military ethic, he regarded as intolerable the coexistence of a union organization and military officers in the PSP. Besides arguing his case, Almeida Bruno used punishment and police action to prevent a vote in the pro-union association. He also advocated a transitional period for completely restoring civilian control of the police, calling for a 15-year period in 1981 and a 20-year period in 1985—an arduous and difficult adaptation to democracy.

Gen Almeida Bruno is certainly going to lead a more peaceful existence over the next few years. After all, the troops have nothing to do with the usually conflict-ridden transfers of reserved lands and other police problems that might crop up in vast Alentejo.

EYSKENS, VERHOFSTADT DIFFER ON TAX REFORM

Figures Given

Brussels LE SOIR in French 13/14 Jun 87 p 2

[Article by Guy Depas]

[Text] Tax reform? Between Eyskens and Verhofstadt, the duel has begun, but they are still using rubber-tipped foils at this stage. The two men do profess ideologies much less distant from each other than their parties' positions. Between the two ministers--of finance and of the budget--the dispute over figures is in the end a side issue, since it will not greatly hinder the possibility of reaching a substantive agreement. The interviews we are publishing below attest eloquently to this, even if both of them do give in to the natural temptation to place great emphasis on virtues pleasing to their respective clienteles.

The CVP [Social Christian Party] did greet the PVV [Party of Liberty and Progress] plan to lower taxes with a certain amount of scoffing. "Demagogic," said Jean-Luc Dehaene, the omnipotent spokesman for Flemish Christian Democracy. That was all it took to stir up fresh speculation about the government's future and to distract attention from an objective analysis of the bill. This is particularly true as the French speakers, both Christians and liberals, are all maintaining a cautious silence on the issue.

Just an argument over figures, though? As Verhofstadt points out, Eyskens temporarily has the advantage. He is the only one who knows his own intentions so far. He is the only one who can compare. And he is making full use of that edge. What he has been cleverly suggesting is that the plan he intends to put in his colleagues' hands soon is not only less expensive, but is just as generous, if not more so, than the plan submitted by the minister of the budget.

Mark Eyskens responds to Verhofstadt's simulations with comparative simulations. Three textbook cases are studied, measured and calculated. The first two lead to the conclusion that both Eyskens and Verhofstadt amount to

essentially the same thing for the taxpayer. These are classical situations: households with two children with moderate incomes. Where the difference arises--to the advantage of his plan, feels the minister of finance [Eyskens]-- is when, with similar incomes, the family size increases.

Let's take a household in which only one spouse works and supports two children. With a taxable income of 800,000 francs, after the Verhofstadt reform the tax would come to 112,000 francs, a savings to the taxpayer of 45,619 francs in comparison with the situation as it stands now. The Eyskens plan would yield an almost identical result: 112,867 francs.

In the case of a household with two children in which both spouses work, earning 700,000 and 500,000 francs of taxable income, under the Verhofstadt plan the tax bill would decline to 242,000 francs, compared with 311,531 francs. Under the Eyskens plan, the taxes would be 240,725 francs.

But where things really get interesting is in the case of a two-income family with incomes of 700,000 and 280,000 francs, which supports four dependent children. At the present time such a household would have a total tax bill of 98,295 francs. Under Verhofstadt, rather than declining, the total tax bill would rise: 101,500 francs. With Eyskens such a household would hit the jackpot; it would have to pay only 66,475 francs, thanks to exceptionally high family deductions and allowances.

So is family size playing a key role here? Apparently. But is this an extreme case, as some people are saying? That is what will have to be seen. This Friday the PVV leader is holding a press conference. He will be surrounded by prestigious advisers, tax experts and professors, the very ones who for months have been working with the ministry of the budget technical staff on the tax reform bill. Will the controversy heat up anew then? We shall see.

Interview with Verhofstadt

Brussels LE SOIR in French 13/14 Jun 87 p 2

[Interview with Guy Verhofstadt, minister of the budget, by Guy Depas]

[Text] Work

Question: The CVP and Mark Eyskens feel that, as it stands now, the tax reform bill you have just introduced is much too onerous to be credible as a budget. The minister of finance has not concealed his intention of submitting what he says is a more effective plan, which would definitely be less expensive. In short, the controversy has now begun over costs. What is your point of view on this?

Answer: The proof that I am not afraid of contradiction is that I took the initiative. Any advantage I may have had in being first gets lost in a discussion. How do you think I can express an opinion on Mark Eysken's intentions, since I don't know what they are? Now I've said that, the figures I have given are indisputable; it was the ministry of finance which gave me the data I used. And I will mention the results. In the individual income tax, there would be a decline in overall tax receipts of 102 billion. [This would break down as] a 10 billion decline in revenues from single taxpayers; 36.2 billion that would benefit single-income households; and a 55.7 billion reduction for persons who will benefit from removal of the "marriage-penalty" tax. And from this 102 billion, we should still deduct 31 billion which will come from the uniformization of the tax on replacement incomes and job earnings, as well as the incidence of the Grootjans law (indexing of tax tables, etc), which in any event would have cost 41 billion. So the net balance to be made up in personal income taxes does not exceed 30 billion. In terms of business taxes, it is true that the reform would cost 32.7 billion in gross figures. But the economic incentives which it contains should help to improve the taxable profits of businesses by 100 billion, thus compensating by an equivalent return for an apparent loss of revenue.

Question: But Mark Eyskens is talking of over 250 billion.

Answer: I know that figure. But that is a comparison of apples and oranges. My estimate is given in 1985 francs, in the context of a specific and real situation. The minister of finance's estimate comes from an extrapolation. Here is the difference: they are projecting the loss of revenues to 1990, forgetting to do the same thing for compensations, particularly for the impact of the Grootjans law.

Question: In any event, the impact on the budget deficit would be at least 30 billion. Isn't that contrary to your principles?

Answer: When you asked that question, you already knew the answer! I won't be the one to agree to distort the financial reorganization. So we will have to compensate by a reduction in government spending. That is why I feel that above all, we have to reduce the budget deficit to 7 percent of the gross national product. If people want lower taxes, it can only be done at that price. Otherwise, I know the story: it leads to chaos.

Question: Mark Eyskens and the Christian parties in general are emphasizing the family aspect of the tax reform, and also its impact on small and medium incomes. Doesn't your philosophy diverge from theirs on those points?

Answer: About the family? I didn't think so. The integral removal of the "marriage-penalty" tax will mean protecting marriages. And while I would

prefer an equivalent deduction for single-income households to the system of tax splitting, that is meant to preserve fairness and simplicity. On the subject of categories of incomes, it is the small and "moderately large" incomes which are being helped most of all. But it is true that my first concern is to reward effort rather than to penalize it. The more a person works, the more they pay, and the less they earn? That has to stop. The progressive nature of income tax rates has become unbearable, both socially and economically. People's behavior has shown this for a long time. And we in the PVV have heard their message loud and clear.

Interview with Eyskens

Brussels LE SOIR in French 13/14 Jun 87 p 2

[Interview with Mark Eyskens, minister of finance, by Guy Depas]

[Text] Family

Question: Guy Verhofstadt is taking on a field belonging to his colleague, the minister of finance, and has proposed a tax reform plan. And Mark Eyskens, who is now getting ready to submit his own tax bill, is quite willing to match his portfolio as minister of finance against the budget ministry portfolio of the PVV minister, pointing out the apparent budgetary folly of the minister of the budget's tax proposals. Briefly, what do you think of "the other one?" Can you compare your work, first of all from the viewpoint of their financial impact?

Answer: As I see it, the tax reform would cost the government 102.3 billion in 1990. That is 28 billion for the integral removal of the "marriage-penalty" tax on incomes of married couples; 34 billion for the tax splitting which would help single-income households, 30 billion for raising the minimum taxable threshold; and a little more than 10 billion for changes in marginal tax rates. As it stands now, the Verhofstadt reform would have a negative incidence of over 250 billion on government revenues: 177 billion for losses from individual income taxes; 65 to 70 billion from business taxes; and 25 billion coming from an obvious overestimate of the yield expected from the politically troublesome tax on replacement incomes.

Question: Being concerned about improving the budget, how do you think you will be able to offset these effects so as not to worsen the net balance to be financed? Considered in this light, does the Verhofstadt plan seem reasonable to you?

Answer: I plan to reserve my plan's "premiere" for the government. But I can tell you that I do intend to suggest recovering 75 billion in the tax burden. And if I only keep half of the spontaneous increase in revenues that the planning bureau says we can expect from the upturn in the economic

situation arising from the tax cut, I can add 12 billion to that. So at worst, budgetary austerity should only be reinforced by less than 20 billion to finance my plan. While unless he decides that no professional expenses can from now on be deducted from taxable incomes, I don't see how Mr Verhofstadt will be able to find the margin necessary for his.

Question: While you both agree that it is necessary to reduce the tax rates, you don't seem to be guided by the same philosophical inspiration. What are your priorities?

Answer: The matter seems sufficiently serious to me to warrant a debate in closed session before anything else. Everyone has his own style. I am sorry that Mr Verhofstadt did not share my way of seeing things and right away jumped into a public debate. Now that I've said that, as far as I am concerned, the tax reform should:

- 1) Primarily help small and medium incomes---from 0 to 1.5 million, in order to provide a real spur for domestic demand;
- 2) Reduce our tax pressure to an internationally competitive level;
- 3) Stop discouraging marriage and promote a family policy by improving the economic situation of households with children;
- 4) Remotivate public opinion to get the public to accept a continuation of the budget reorganization program.

Mr Verhofstadt and I differ fundamentally on two points: he is less generous to families, and he advocates a healthier budget before anything else is done. But on the contrary, I believe a tax cut will make budget austerity socially bearable. I must tell you, though, that in the past few months I have gotten over 50 reform proposals coming in from all directions. Mr Verhofstadt's seems to me to be the best of them. We have to be able to find some common ground if we are to work together in the prospect of a legislative session that should last until 1989.

7679

CSO: 3619/44

GOVERNMENT, ECONOMISTS INCREASINGLY PESSIMISTIC ON ECONOMY

Government Expectations Revised Downward

Copenhagen BORSENS NYHEDSMAGASIN in Danish 22 May 87 p 47

[Article by Nils Enrum: "Crude Government Realism"]

[Text] The government's own economic accounting office with Economics Minister Anders Andersen at the head has left the camp of enthusiastic optimists and accepted the more pessimistic evaluations of the economic future. Several ministers have previously complained about the dark-sounding undertakers' chorus of chief and other economists, and it has hardly been politically attractive now to publish an economic forecast that agrees with the undertakers. But the government has done this in the new "Economic Survey May 1987." It is particularly the export of industrial goods that has been sharply revised. Six months ago one predicted an increase of 5.2 percent from 1986 to 1987. Now one is predicting zero growth at best.

Export prospects have significance for more than the balance of payments. In the previous official view there was both good and bad news on economic activity. The Danish market would be bad this year, but in compensation one expected progress in foreign markets. Now there is only bad news: stagnation or reversal in the whole private sector. In a new forecast, the government calculates that private sector production will fall by a good 1.5 percent from 1986 to 1987.

It is predicted that unemployment will rise, but not more than expected in the official fall forecast. There will be many jobs in the public sector in the wake of the shortening of work time and as a result of increasing public activity. Fewer private jobs, more public ones. All in all the percentage of unemployment is expected to rise from 7.75 to 8.25 this year, and then to 9.5 percent in 1988. It does not appear that the estimate must be adjusted for the worse if the public investment program is cut by three billion kroner next year, as the finance minister has been directed to do by the government's Coordinating Committee.

The government says that the problem with the balance of payments will be reduced by 13 billion kroner this year from 1986: down to a deficit of 21.5 billion. Not because of rising income, but because import payments will be

less. The excellent result for the year's first quarter cannot be thought of as typical for the year as a whole, because this year one has used up inventories. This produces extra good figures.

The governments new prognosis will give new force to the opposition's criticism of "five wasted years." The criticism is correct if one only stresses the socio-economic measurements such as unemployment and balance of payments. But we hope that the investments of recent years have not been a complete loss, and only theoretical nitpickers will completely write off the enjoyment of greater private consumption. The Danes have had a ball, and in a few months they will vote on who is to clean up.

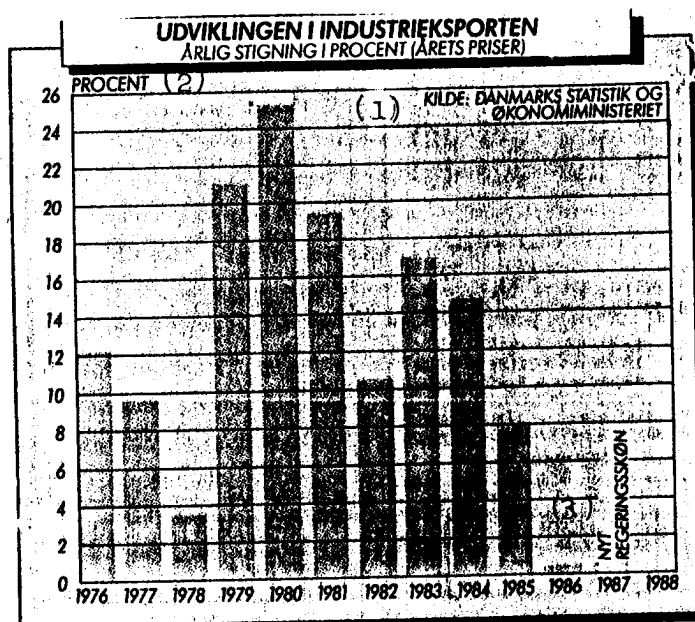


Figure 1. Development in Industrial Exports
 Yearly Rise in Percent (Year's Prices)

Key:

1. Source: Denmark's Ministry of Statistics and Economics
2. Percent
3. New Government Estimate

'Live With Stagnating Economy'

Copenhagen BERLINGSKE TIDENDE in Danish 24 May 87 p 1

[Article by Hugo Garden: "Hoffmeyer: We Must Live With Decline"]

[Text] The Danes must learn to live with the stagnating economy this year and perhaps next year, according to National Bank Director Erik Hoffmeyer. The zero growth is our own fault.

The Danes will now pay the price for excessive consumption and for an overheated economy in the past two to three years. The price is an economic slowdown, Hoffmeyer told BERLINGSKE Sunday.

Last week both the wise men and the government gave gloomy reports on the Danish economy. Zero growth is predicted for this year and increasing unemployment next year. To be sure, the balance of payments is improving, but this is precisely because of stagnation and fewer imports. Now the question arises as to whether "positive" means can be used to get more life in the economy.

But to this Hoffmeyer says no: "We have taken the chance. There has been a strong growth, which of necessity must be followed by a slowdown, and therefore it is no good to ask after the fact what we are to do. There is nothing else to do than to wait and look at things in a year or perhaps longer.

"One must be extremely cautious with wage drift. Businesses can perhaps live on their good income from recent years, and possibly there will be a certain growth because businesses are now forced to export because the home market is stopped. But there are no patent solutions. It will be a long, hard job to get the economy going," he said.

The economic wise men directed extremely sharp criticism last week against the government and the parties in the labor market. All are co-responsible for the stagnation. The government and the Folketing did not step in early enough and strongly enough against consumption and overheating, and both the government and the parties in the labor market allowed wage increases to go too high in agreements made in spite of the very bad marketing conditions abroad.

Wage Freeze Or Devaluation

Copenhagen BERLINGSKE TIDENDE in Danish 24 May 87 p 17

[Article by Frank Dahlggaard: "The Wise Men Have Given Up: No Advice To Government"]

[Text] The hidden message from the wise men: wage freeze or devaluation of the krone. Mutual disagreement together with fear of a crisis in the krone causes wise men to fall silent.

The future is pitch black for the Danish economy. The past three years' strong upswing in production, investments, and employment is now causing a steep decline.

In the coming 18 months unemployment will grow strongly and reach record heights. Foreign debt will continue to grow, even if at a slower rate, and competitive ability will worsen. Denmark will lose markets abroad, businesses will shrink or go bust, and the surplus will turn into a deficit in the public sector. In agriculture the growing crisis will spread and cause steep drops in agricultural holdings.

This is forecast by the chairmanship of the Economic Council -- the three so-called wise men -- in a new report, which is probably the most gloomy in the 24-year history of the wise man institution.

In spite of the seriousness of the situation, the report of the wise men does not include one single suggestion to the government on how the situation is to be tackled. At the same time, the report of the wise men leaves a mountain of unanswered questions -- so many that it seems extraordinary.

The wise men have seemingly given up on the socio-economic problems.

Vague Talk

The three wise men named by the government, economics professors Christen Sorensen, Claus Vastrup, and Peder J. Pedersen, are satisfied with general recommendations without concrete substance. They find that: 1. Financial policy must not be weakened, as has happened, and 2. The competitive ability of Danish business must be strengthened.

But how is the financial policy to be tightened? Is it to be done with increases in taxes and duties, forced saving and obligatory pension saving-- or is it to be done with public saving?

And if it is the latter, is it the public personnel or the cash income transfers to families with children, young people, and retirees that is to be limited? Or is it the public works expenditures?

The wise men give no answer.

Correspondingly there is no concrete message on how ability to compete abroad is to be strengthened.

Is it to take place with wage policy, krone rate policy, or with the help of the so-called business policy?

The wise men have made an extensive investigation of the possibilities of using the business policy (public subsidies for business, cheap loans, rules for depreciation, and tax advantages, among other things). The conclusion is clear: Business policy will not work alone. In the best case it is the "next-best policy," and one must under no circumstances expect results of a business policy before we are a good way into the 1990's, the wise men write.

With this they have made it clear that the government's so-called "dynamic business policy" is not the solution to the problems of the ability of business to compete.

Best Policy

But then what is the solution? What is the best policy for the strengthening of competitive ability?

In this quite decisive question the wise men pussyfoot around the warm porridge. It has to do namely with the sacred value of the krone and the similarly sacred and recently acquired wage raises.

Between the lines in the wise men's report the hidden message can be divined: If we are to avoid record unemployment and continued growth in foreign debt, the krone must be devaluated significantly, or there must be an immediate wage freeze -- possibly both at the same time.

There are two reasons why the wise men do not speak right out. First, they do not mutually agree, and second, an open suggestion to devalue the krone can very easily cause a crisis in the krone in which money will flow out of the national bank's coffers.

This actually happened when the wise men in October 1982 -- shortly after the four-party government took over -- directly recommended a sharp devaluation of the krone. At that time the then wise men were criticized strongly by both the government and the national bank, who let it be known that this was almost behavior damaging to the country.

The value of the krone is not something one discusses publicly, at any rate not as a responsible wise man.

Taboo Subject

Moreover, the wise men do not agree today on the possibilities of devaluation.

Claus Vastrup seems to be a convinced adherent of the government's steady course policy and a sworn opponent of another large devaluation. Peder J. Pedersen is thought on the other hand in the present situation to see advantages in devaluation. Chief wise man, Christen Sorensen, has not been so engaged in the latest report, because he, as the chairman of the stock exchange board of directors, has had problems with exchange reforms.

The disagreement of the wise men on krone policy has resulted in a wise man report that is content to say that in any case there is no agreement between the present "steady krone course" and the agreements that have been made on the labor market. The present money policy is namely that the krone will be passively upvalued together with the German Deutschmark.

When wages and prices here at home undermine the purchasing power of the Danish krone more rapidly than the value of the money is undermined in our

competitor countries, then the situation with the words of the wise men is "untenable." In the long run one cannot decrease the value of the krone internally and increase it externally.

The wise men point to the situation in 1973-76, in which the krone also passively followed the Deutschmark up at the same time that wage and price rises were greater than inflation abroad. It ended as is known with a long series of krone deflations in the period 1976-82.

What About Interest?

The mutual disagreement of the wise men together with their fear of causing a crisis in the krone has meant that there are large "holes" in the new wise man report.

So far nothing has been said about interest. In November of last year the wise men forecast a bond interest of only eight percent in 1988, but what do they say now?

Nothing. The question of the interest height is namely hopelessly connected to expectations on the value of the krone, and since this subject is taboo, so is interest.

The coming Folketing elections do not appear in the wise men's report, either, and it therefore remains without connection with the world of reality. The reality in today's Denmark is that Danish business is waiting paralysed for the results of the Folketing elections -- and the decisions that will be made in the days following.

The perspectives in the historical event when the state in March degraded its credibility are not mentioned by the wise men, either. They pussyfoot carefully around the warm porridge.

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CSO: 3613/104

CONFLICT OVER R&D FUNDING IN FRG

Duesseldorf HANDELSBLATT in German 27 May p 3

[Text] A conflict is in the offing within the Federal Government about Federal Finance Minister Gerhard Stoltenberg's austerity plans, which would also involve assistance for research and development. For the first time, Federal Research Minister Heinz Riesenhuber has publicly warned against a policy that would dismantle tax incentives for R&D at a time when direct R&D spending is being cut. BMFT's [Federal Ministry for Research and Technology] budget this year totals about DM7.5 billion.

Riesenhuber stated during the opening of an international conference of experts designed to compare the research and technology systems of the Western industrial countries, that a policy of cutting R&D incentives would lead to a drastic reduction, beginning in 1989, of Government spending on R&D, including tax relief measures. Riesenhuber added, "This would be the first time in the post-war period that governmental support of R&D is curtailed. If we want to provide for the future, this cannot be our political goal."

Riesenhuber pointed out that the R&D budget of the Federal Government had risen from almost DM40 billion in 1981 to about DM59 billion in 1987. Still, this dynamic development, he said, was primarily the result of efforts of the business community, which this year would finance almost 62 percent of all R&D expenditures (1981: 55.98 percent). The government share, on the other hand, which was close to 25 percent in 1981, had declined to 23.4 percent by 1986.

BMFT's direct economic support dropped from DM2.6 billion to DM2.2 billion as a result of restructuring, while support payments provided by the Economics Ministry increased from DM700 million to DM1.0 billion due to the development of the Airbus, and those of the Defense Ministry went up from DM1.6 billion to DM2.3 billion. Hence, this year, the Hardthoehe outdid the BMFT in terms of direct support funding, Riesenhuber stated.

Space Research Needs More Money

Riesenhuber warned against using government spending on R&D as a piggy bank from which, whenever necessary, funds could be siphoned off for other purposes. Just because the Federal Government wants to see the economic community focus on its very own areas, it will have to strengthen its support of nonmarket-oriented research and development. "The dynamism of our economic community in promoting R&D is commendable. It must be reinforced by an increase in governmental R&D spending, especially by the Federal Government," Riesenhuber demanded.

The minister gave the following reasons for his demand:

--In the area of space politics, in the long run, a clearly disproportionate amount of R&D efforts, including pilot projects, is inevitable.

--In space research and technology, international contributions must grow disproportionately faster in view of the political decisions taken in Rome in 1985 and the conclusion of Europe's preparatory programs. The planned space research programs cannot be financed without an increase in FRG spending on R&D.

--Also, the FRG and its Laender must intensify their involvement in basic research despite the current high level of Germany's contribution.

Finally, Riesenhuber explained his demands on the basis of the most recent statistics on international comparisons. He said that in both Japan and the United States, R&D expenditures are higher. In the FRG, the share of R&D spending of the gross domestic product was about 2.9 percent. Although the percentage for Japan and the United States was similar, he said, there is some indication that development in these countries takes place at a more dynamic pace.

In Japan, for instance, the growth rate of R&D spending during the past eight years was 4 percent higher than in the FRG. In addition, it should be realized that Japan, with 2 percent, spends a significantly smaller share of such expenditures on military R&D than the FRG does with its 5 percent, or the United States with 30 percent.

Reductions Mean Risks for the Future

Moderate growth of Government spending on R&D in recent years and concentration of R&D support on government planning for the future and long-term programs was undoubtedly the right way to go, said Riesenhuber. However, it was equally correct when the Federal Government strengthened its fiscal support of R&D in 1982, "at any rate until the tax reform went into effect." A policy of cutting the support would be a "risky way into the future."

Altogether, Research Minister Riesenhuber has reached the following conclusion, "Therefore, there is no reason why we should slacken off in our R&D efforts. On the contrary, we are calling on both the government and private business to continue their R&D involvement and to increase it further."

7821

CSO: 3620-229

SOVIET TRADE ENVOY: HIGH-TECH JOINT VENTURE PLAN AT DEAD END

Helsinki HELSINGIN SANOMAT in Finnish 9 May 87 p 2

[Article: "Trade Envoy Vasiliy Ivashov: "Imatra Power's and Soviet Union's Joint Venture Over"]

[Text] The joint ventures of Imatra Power and the Soviets to export nuclear power know-how and technology to third-party countries are at a dead end at this time. Trade Envoy Vasiliy Ivashov of the Soviet Embassy in Helsinki said on Thursday that "the materials and data for the ventures have become obsolete".

According to Ivashov, the ventures failed for the reason that nuclear bids made by IVO [Imatra Power] and the USSR lacked "earthquake strength".

"The joint ventures were offered primarily to such countries and areas where there is a danger of earthquakes." As far as is known, cooperation had progressed the most in Yugoslavia.

The Soviets and the Finns will, however, continue cooperation in developing nuclear power safety according to Ivashov. "Each party will accomplish this at its own cost, but the data will be mutually exchanged," said Ivashov.

"No Alternative to Nuclear Power"

Trade Envoy Ivashov presented the Soviet Union's positions on nuclear power on Thursday in that country's embassy in Helsinki. The embassy had arranged a meeting with Yuri A. Novozhilov, the chief representative for Finland from the USSR's export firm Atomenergoeksport. There was a desire to present such views in connection with the anniversary of the nuclear disaster in Chernobyl.

The construction of nuclear power plants is continuing in the Soviet Union and the proportion of nuclear power in the overall production of electricity is being increased for the reason "that there is no scientific alternative to nuclear power". According to Ivashov, increasing the proportion of nuclear power is the only alternative since there is a limited quantity of coal and

oil in the world. "I would also argue that nuclear power is the cleanest and most environmentally friendly method of producing electricity."

Trade Envoy Ivashov enumerated the familiar Soviet views according to which the Soviet Union has drawn conclusions from Chernobyl and has increased the safety and security of its nuclear power plants.

The world's worst nuclear accident, which killed thirty people and caused the evacuation of 116,000 people from their homes, has not, however, swayed the faith of that country's officials in nuclear power as such.

There are 39 operating nuclear power plants in the USSR, of which 21 are the "Lovisa-type", 14 are the Chernobyl-type graphite plants, and four are plants operating with so-called rapid neutrons. There are 11 power plants under construction in the country, of which the majority will be in the so-called European section of the USSR.

Ivashov said that the Soviet Union wants to triple the proportion of electricity produced by nuclear power from the present 10 percent by the year 1995.

According to Ivashov, in addition to the dead, acuteradiation illness was confirmed in 237 individuals, of whom 209 have improved. "Among these individuals, 196 are capable of working and 13 are considered to be invalids."

Price of Nuclear-Produced Electricity Will Rise

Ivashov said that the public attitude in the Soviet Union is "on the whole, positive". The youth league and its organs, among others, has been very suspicious of nuclear power in the Soviet Union. According to Ivashov, the country's officials have been "made aware" of the expressions of opinion from these quarters.

Ivashov brushed off the powerful anti-nuclear movements in Western countries by stating that they are the internal affairs of the countries in question. "In the Soviet Union there is no opposition to nuclear power in the Western sense."

The price of electricity produced by nuclear power has risen in the Soviet Union as a consequence of Chernobyl. According to Novozhilov, improving the safety systems of graphite type power plants has raised the price of electricity produced in them by 12 percent in a year's time.

"On the whole, the price of electricity produced by nuclear power may increase for the reason that science is always developing better nuclear power plants, the cost of which is higher."

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CSO: 3617/94

FINANCE MINISTRY RAISES FIGURE FOR EXPECTED INFLATION INCREASE

Helsinki HELSINGIN SANOMAT in Finnish 8 May 87 p 3

[Article: "Finance Ministry Raised Inflation Forecast"]

[Text] The economic section of the Finance Ministry thinks that inflation will increase an average of 3.5 percent this year. In February, in its economic report the Finance Ministry considered that the growth rate will be slightly slower, 3.25 percent.

In a recent economic and market report the ministry believes that the index threshold contained in the labor contracts will not be exceeded. The threshold, 3.4 percent, applies to the time from December 1986 to December 1987. Since it is expected that the increase in prices will slow down toward the end of the year, the ministry estimated that the consumer price index will increase 3.25 percent during the term of the contract.

The forecast estimated that the real income level of wage earners will be 3.5 percent, approximately the same amount as last year.

The forecast estimated that the wage slides will remain the same, likewise the relative price competitiveness measured by labor costs.

Adjustments to Exports and Imports Also

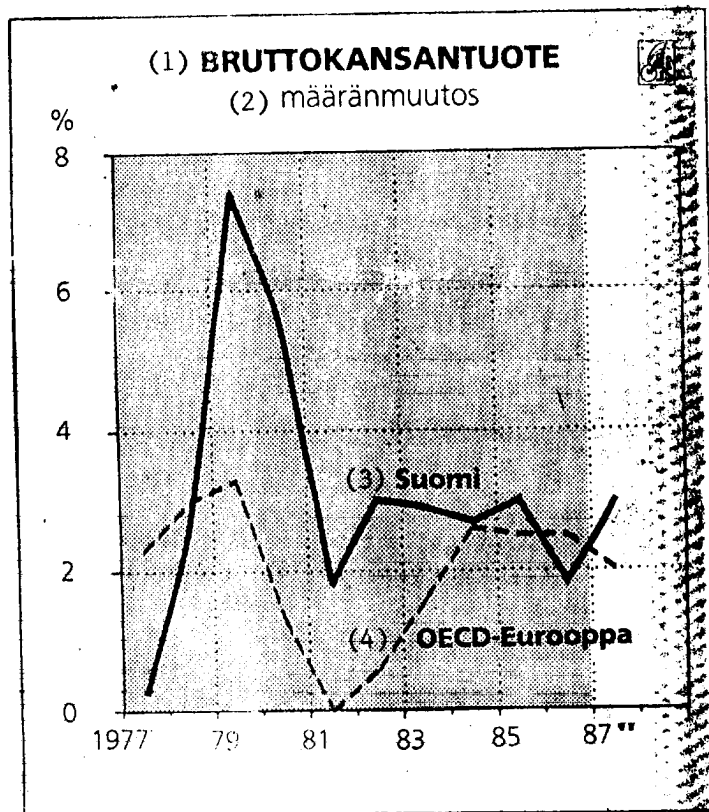
The forecast also adjusts the estimates regarding the growth of exports and imports.

According to the February forecast, it is expected that exports will increase 2.5 percent, the most recent forecast estimated the amount of growth to be 1.5 percent.

Exports to the West will increase perceptibly, 7 percent. Deliveries of forest industry products will increase the most.

The reduction in trade with the East is the factor behind the small growth in total exports. Deliveries to the USSR will decrease by nearly one-fifth because of the need to balance mutual trade.

Imports will slow down by 3.5 percent. The figure was 3 percent in the February forecast.



Key:

- | | |
|---------------------------|----------------|
| 1. Gross National Product | 3. Finland |
| 2. Change in amount | 4. OECD-Europe |

The import prices of energy products will continue to decrease because of changes in the rate of the currency exchange. All in all, import prices will increase 1.5 percent.

The ministry believes that the surplus in the balance of trade will remain as before, the balance-of-payments deficit, on the other hand, will increase slightly.

Industry Doing Well

The economic prospects for industry in the near future are rather good according to the forecast. The stock of orders has become larger and profitability has turned upward.

"The profitability of the forest industry will be quite good this year," says the forecast.

Prospects for the metals industry have improved and housing construction activity is picking up.

It is estimated that total production will increase 3 percent this year. The productivity of labor will improve 3.5 percent.

Unemployment growth will remain at the level of the previous year, 5.4 percent. The employment situation will become weaker in the shipyards, the textile and clothing industry, and in the food products industry. There will be a "shortage" of workers in the service and construction area.

According to the report, "exceptionally great demands will be placed on the operational capacity of the labor markets, the development and training of employment services. Otherwise, there is a danger that the gradual improvement of employment, for its part, will result in a growing price/wage spiral because of bottlenecks in the labor force".

Economic Forecasts of Research Institutes
for the Year 1987

	GNP-growth %	Inflation %	Unemployment %	Export growth %	Import growth %
VM	3	3.5	5.4	1.5	3.5
ETLA	3	3.5	5.5	2	3.5
TTT	2.75	4	5.4	2	3.5
PTT	2	3.6	5.5	-1	4
KOP	3	3.6	5.5	2	3
Unitas	3	3.5	5.5	2	3

VM = valtiovarainministerion kansantalousosasto [Economic Section of Finance Ministry], ETLA = Elinkeinoeleman taloudellinen tutkimuslaitos [Economic Research Institute of Commerce and Industry], TTT = Tyovaen taloudellinen tutkimuslaitos [Workers' Economic Research Institute], PTT = Pellervon taloudellinen tutkimuslaitos [Pellervo Economic Research Institute], KOP = Kansallispankin taloudellinen tutkimusosasto [National Bank's Economic Research Section], Unitas = SYP:n taloudellinen sihteeristo [Finnish United Bank's Economic Secretariat]. The unemployment percentage was reduced in accordance with the new definition: among individuals drawing unemployment compensation only those who report that they are looking for work in the labor force study are numbered among the unemployed.

10576

CSO: 3617/94

HOUSEHOLDS FOUND TO CONSUME HIGH PERCENTAGE OF ENERGY

Helsinki HELSINGIN SANOMAT in Finnish 9 May 87 p 2

[Op Ed Article by Juha Nurmela: "Households Significant Energy Consumers"]

[Text] The author is the chief registrar of the interviewing section of the Statistical Center.

The direct and indirect consumption of energy by different types of households has been studied for the first time in Finland. Together they make up the actual total consumption of energy by households. The report was compiled by the Statistical Center.

Direct energy consumption is made up of electricity, municipal heating, and various fuels consumed as heat, light, and power. Indirect energy consumption relates to that energy which is needed at home as well as abroad for the production of goods and services purchased by households.

In 1981, a household consumed an average amount of energy corresponding to 5.4 oil tons (=toe). This corresponds to approximately 7,000 liters of gasoline or in other words an automobile could be driven back and forth between Helsinki and Rovaniemi about 20 times with the amount of energy consumed by an average household.

The average household includes 2.54 people. The surface area of a housing unit was 70 square meters, and annual disposable income was 59,000 markkas.

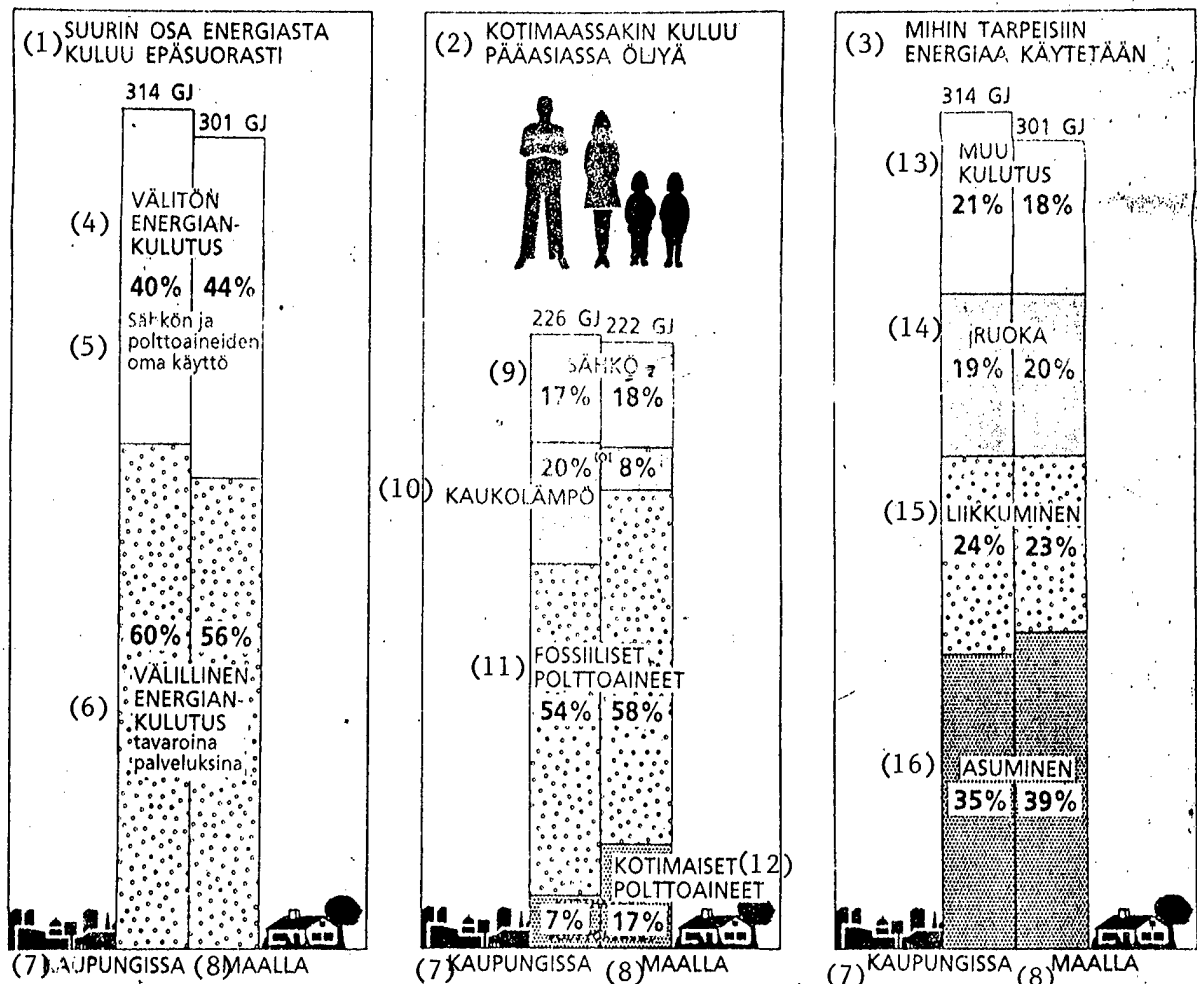
The total consumption of energy in different types of households fluctuated considerably. For example, a pensioner living alone in Helsinki without an automobile consumed only half the energy used by an average household.

The energy consumption of a Helsinki family which had one or two children over the age of 12 and which had an automobile was 60 percent greater than the average.

Of all the energy consumed, the average household uses more than half (58 percent) indirectly or as energy consumed in the production phase of goods and

services. Thus the proportion of direct energy consumption by households is 42 percent.

ENERGY CONSUMPTION OF FOUR-MEMBER FAMILY IN CITY AND COUNTRY



GJ = gigajoule

Key:

- | | |
|--|-----------------------|
| 1. Majority of energy is used indirectly | 8. In the country |
| 2. Oil is mainly used in Finland also | 9. Electricity |
| 3. Needs for which energy is used | 10. Municipal heating |
| 4. Indirect energy consumption | 11. Fossil fuels |
| 5. Own use of electricity and fuels | 12. Domestic fuels |
| 6. Indirect energy consumption as goods and services | 13. Other consumption |
| 7. In the city | 14. Food |
| | 15. Transportation |
| | 16. Living |

The actual amount of consumption by households depends at least as much on the energy economy of the production of goods as on how much electricity and fuel is used by the average household itself.

In order for households to consider the demands for energy conservation to be justified, demands must also be placed on the production of goods and services.

As families and individuals we do not use energy just according to our own wants. An affluent Finland is such that even daily life contains a large amount of hidden energy consumption, of which we have no knowledge.

In the last few decades an ever larger proportion of activities belonging to the household have been distributed elsewhere in society, for example, to schools, restaurants, and places of employment. Over a period of time households have acquired a large number of new appliances and equipment which need sources of energy other than renewable or domestic sources.

Transportation to school or to work requires energy. In addition, there is an increase in energy consumption which is connected with leisure time and hobbies. It is as if more and more "necessary" forms of energy consumption have become a part of the daily life of households.

The matter is comparable to the use of fats and additives in our food. We do not always know their amounts, not to mention the fact that we could influence their use in nutrition. Fats and additives do not interest everyone, but many assume that the controls set up by officials will guarantee sufficiently healthy nutrition.

So far our energy policy has not exactly dealt with hidden energy consumption even though its disclosure could in the same manner affect the choices of consumers as well as the use of vegetable fats.

The combined proportion of all the energy used directly and indirectly in Finland by households was a little under 40 percent in 1981. This is approximately just as much energy as was used for the manufacture of export goods. The combined share for investments and public consumption is around 20 percent. The energy consumption of households is of major social importance.

In 1981, Finland's households directly and indirectly consumed energy corresponding to approximately 10 million oil tons (10 Mtoe) or about the same as the annual production of hydroelectric power.

The average energy consumption of households is divided as follows according to primary targets: living 39, transportation 23, food products 19, and other consumption 19 percent.

The proportions fluctuate according to the size of a household so that the smaller the household, the greater the share of energy that goes for living. The proportions for transportation and food products, on the other hand, increase in larger families. On the other hand, the proportion of the energy

content of other consumption does not fluctuate noticeably according to the size of a household.

The above diagram, in which the consumption of a four-member family is compared, gives a general picture of the structure of energy consumption by households. The families live in the country and in the city.

The effect of incomes on energy consumption is clear since a household belonging to the lowest one-tenth uses an average of only one-fourth of the energy that a household in the highest one-tenth income group uses. The difference, however, is smaller than in incomes since the difference between average incomes is eightfold.

The above diagram also shows how much the energy consumption of a house increases when the household acquires a new member. An additional member in a large family increases energy consumption only a little. On the other hand, when two adults live together, consumption per person is only a little less than that of a single-person household.

An automobile has a tremendous effect on energy consumption. Households which have an automobile consume approximately one-fourth more energy than the same household without an automobile regardless of the make-up or lifestyle of the household.

When this study's energy contribution data classified by consumption and the price data of products for the 1981 consumer price index were combined, it was possible to give an approximate calculation of the energy consumed by the manufacture of various products. Following are some examples: 3 kilowatt-hours per loaf of French bread, 23 kilowatt-hours per kilogram of ground meat, 2 kilowatt-hours per kilogram of herring, 3 kilowatt-hours per liter of low-fat milk, 89 kilowatt-hours per warm-up suit, 68 kilowatt-hours per quilt comforter, and 4 kilowatt-hours per roll of paper towels.

The figures are not precise, but they do, however, depict the relationships of various products.

If there is a desire to emphasize the importance of consumer decisions in energy policy, we should, perhaps, deliberate what would affect the product selections of consumers if when making a purchase they knew how much energy was consumed in the manufacturing and sales phases of products.

Even if we were to assume that price affects consumer choices the most, many other factors beginning with the degree of domestic production undeniably influence a purchase decision. It could be assumed that if the energy content of products is also disclosed, it would influence the purchasing decisions of environmentally conscious people at least.

If all one- and two-member households acquire the same amount of equipment and appliances as the larger households, the number of such home appliances and equipment will, of course, increase. However, the size of households is continually growing smaller so that, presumably, these appliances are not

being used very much. Therefore, the proportion of indirect energy consumption will increase.

Also it is justifiable in energy policy to deliberate whether a social development leading toward a more individualized lifestyle is reasonable. Perhaps it would be necessary to seek means by which a portion of the activities of small households could be accomplished in the broader society.

The activities of households, going to work, among other things, have become dispersed ever farther away from the home. Therefore, the house with its appliances is vacant most of the day. Such reasons have, for their part, influenced the fact that in heating, for example, pressure is increasing to move toward current-type energy sources, electricity and municipal heating. They can be effectively automated and disturbances caused by winter frosts do not result in direct damage.

10576

CSO: 3617/94

EUROPE REPORT: COUNTRY MUST ADAPT TO EC INTERNAL MARKET

Country Must Increase Ties

Oslo AFTENPOSTEN in Norwegian 23 May 87 p 12

[Article by Alf Seeland; first paragraph is AFTENPOSTEN introduction]

[Text] Norway must adapt to EC's move toward an internal market. Technological cooperation will give us opportunities but we will face increasing foreign policy problems. These are the conclusions of the report on Europe.

Norway must strengthen its efforts in all the cooperative forums that have been set up with EC. We must adapt ourselves to the implementation of EC's internal market system by 1993. The opportunities we have lie in the area of cooperation on technology and research. At the same time we must recognize that the foreign policy cooperation of the EC countries will present Norway with obvious problems as long as we are not part of EC and there are no plans to change that situation.

In the report that was presented today the government stressed that this is not an invitation to start a debate on EC membership. However so much has happened since the popular referendum was held that it is desirable to update matters. Today a majority of the West European countries belong to EC, which includes 90 percent of the West European population.

EC Embassy

The government stressed with reference to its broader policy on Europe that a separate Norwegian EC Embassy has been set up in Brussels and that EC is setting up an office in Oslo. In addition a special group of undersecretaries will be set up to deal with EC issues that require discussion at the political level. Finally a committee will be appointed with representatives from labor and business organizations and the ministries with an interest in this matter. The committee will help to follow up EC measures and provide the organizations with information and assistance.

Descriptive

It is only to a limited extent that the report on Europe is "operative." Most of the material describes EC's development since the referendum and how Norwegian cooperation with EC has turned out. By and large the trade agreement has worked according to plan, the report states, but it stresses that new situations have arisen both as a result of new developments in Norway and because of the emergence of new elements in EC's own cooperation. As a result we are running into the laws of both necessity and opportunity, as well as problems with the European political cooperation, EPS.

In order to maintain its competitiveness Norway must adapt in the years ahead to the new and dynamic element in EC cooperation: the internal market. If it does not, new trade obstacles will arise. At the same time the government will emphasize efforts to influence the shaping of individual EC measures, both through EFTA and bilaterally. Here the report stresses the high degree of openness with respect to third countries that has existed in EC in recent years. The expression "European space" is heard with increasing frequency.

Possibilities

The high degree of openness applies in particular to the area of technology and research, where a number of programs, though not all, are open to countries outside EC. It will be important for Norway to make use of these possibilities, according to the report. With this in mind a general agreement has been established with EC which gives us access to a number of projects.

Limitations

"On the other hand we are running into problems with regard to foreign policy cooperation," the report states. This is the first time there has been official recognition of the limitations we have in relation to EPS.

Our contacts here are taking the shape of an agreement according to Norwegian wishes that gives us an opportunity to meet EC's chairman every 6 months for an informal exchange of opinions, without being able to exert any influence on EC. A great deal of the summary of the report deals with EC's foreign policy cooperation, which is a new element that has emerged since the Norwegian referendum was held.

The report points out that EC is becoming an increasingly important actor on the world stage with a need for its own European identity in trans-Atlantic cooperation. The report mentions the concepts of both security policy and defense policy in connection with its description of EPS. This is a challenge for us at a time when Norway is becoming more and more strongly associated with countries around the North Sea and on the continent.

PRAVDA Questions Motives

Oslo AFTENPOSTEN in Norwegian 23 May 87 p 12

[Article by Aasmund Willersrud: "PRAVDA Charges Norway Being Pushed Into EC"]

[Text] Moscow--"Norway is being pushed into EC," the party organ PRAVDA wrote in an article on the new EC debate in Norway. Right-wing forces and military circles are putting their trust in the weakness of the Labor government and a new generation of voters, the article says.

The motives of these prominent advocates of Norwegian membership in EC have nothing to do with economic advantages but involve political and military considerations, according to PRAVDA. They are stressing the necessity of the "precise political consolidation" of Norway in Western Europe to block the alleged increase in Soviet influence in the northern region and a "dangerous Soviet presence," the article says.

The correspondent for the party organ, Mikhail Kostikov, writes from Oslo that the pressure for EC membership comes "from all quarters, with unwavering persistence." And some progress has been made, he writes.

Praise

PRAVDA writes that both trade and fishing contacts between Norway and EC have increased since the referendum that rejected EC membership was held 15 years ago. Recently the country decided to take part in the European space organization and the Eureka project. In addition most of Norway's oil and gas is purchased by the EC monopolies, the article says. Praise for EC membership and warnings against remaining outside are being heard more and more, according to Kostikov.

"And the thesis of 'protecting Norway against Soviet space weapons' has been launched as an argument for participating in EC," it says in a somewhat ironic comment on the argument PRAVDA attributes to Terje Osmundsen's recently-published book. The paper quotes its colleague, FRIHETEN, which called this "Osmundsen's neat solution" for achieving Norwegian EC membership with the help of space weapons.

New Generation

The tone of the article is neither aggressive nor shrill but as they have so many times before the Soviets point to the so-called Atlanticists (i.e. U.S. supporters) and right-wing forces as being responsible for this development.

PRAVDA says that Gro Harlem Brundtland's Labor government is reserved about EC membership and points out that she recently made it clear to EC leaders that membership is not an immediate prospect at this time.

But PRAVDA notes that the Atlanticists and right-wing forces are basing their hopes on the "relative weakness" of the current government as well as the emergence of a new generation of voters. Much has changed in recent years in both Norway and Europe, according to the paper which feels that the attitude of most Norwegians with respect to EC membership has not changed substantially. The Norwegian people are still afraid that membership will result in political and economic dictation on the part of EC, the Soviet party organ says in an article that is more than six columns long.

Government Report to Parliament

Oslo AFTENPOSTEN in Norwegian 23 May 87 p 12

[Unattributed article: "Norwegian Position on EC Unchanged"]

[Text] Today the government sent a report to Storting concerning Norway's relations with EC. It did not indicate any new standpoints but it does contain the government's description of the possibilities and problems Norway will have outside EC, the chairman of Storting's Foreign Affairs Committee, Kare Willoch, said in a comment on the PRAVDA article.

"I will not rule out the possibility that the debate on this Storting report will lead some people to raise the question of a reconsideration of the decision that was made in 1972 when membership was rejected. But under any circumstances it will be a long time before this matter is brought up again in earnest. However if it does come up at some point in the future I believe foreign policy issues will play a larger role than they did in 1972."

Trade Ministry Issues Study

Oslo AFTENPOSTEN in Norwegian 23 May 87 p 12

[Text] The Trade Ministry is issuing a separate report concerning certain trade policy issues connected with West European cooperation in addition to the government's report on Europe.

This report also underlines the importance of EC's move toward an internal market. This makes a dialogue between EFTA and EC necessary, the report points out.

The report examines the trade agreement between EC and Norway and states that this is not sufficient when it comes to safeguarding Norwegian interests. Therefore the report reviews the concrete work that is being done under EC-EFTA auspices to bring about closer contacts and cooperation.

"The main principle is that we must find reciprocal solutions that take care of our business interests in a way that does not weaken our competitive opportunities in what is definitely our most important market, namely EC," the Trade Ministry report states.

Private Group Lauds Report

Oslo AFTENPOSTEN in Norwegian 23 May 87 p 12

[Text] The European Movement in Norway welcomed the report on Europe in a press release and said that it places Norway's relationship to Europe on the political agenda for the first time since the referendum. The European Movement went on to say:

"The report mentions three main aspects of European cooperation that are of special importance for Norway:

"The foreign and security policy positions the EC countries arrive at through the European political cooperation (EPS) are of the greatest importance for Norway. Our opportunities to influence these positions will be extremely limited because Norway is not an EC member.

"Norway will be forced to adapt unilaterally to the development of EC's internal market. If this is not done Norwegian firms could have great difficulty looking after their most important export markets.

"European cooperation on research and technology, which is open to us to some extent, gives Norway an opportunity to strengthen its technological competence.

"The European Movement in Norway understands why the government did not draw any conclusions about Norwegian membership in EC now. The task of creating a high level of information and confidence on this subject among the general public must be given top priority first. The European Movement wants to help. However we feel on the basis of the documentation in the report that the natural conclusion is that Norway's interests will be best served in the long run by seeking EC membership."

Paper Comments on EC

Oslo AFTENPOSTEN in Norwegian 25 May 87 p 2

[Editorial: "Conclusion Missing"]

[Text] The government's report on Europe contains all the premises needed for the conclusions that are not reached. The comprehensive material convincingly demonstrates how dependent Norway is on the community that has continued to develop since the last time we had a debate on Europe. This applies to political as well as trade and economic aspects. In fact the logical conclusion would seem to be that Norway should seek membership immediately.

Most of the report is purely descriptive in nature. However this provides a clear picture of how EC has grown to the point where it is a major actor on the world stage and Norway's most important cooperative partner. It is here that the report is most valuable as long as one does not choose to

draw the conclusion that is logical but impossible in terms of practical politics. Thus it will provide an important frame of reference when the public and the parties update their knowledge of West European cooperation.

When it comes to economic and trade aspects Norway has become even more strongly enmeshed in the EC system, without having any voice. This will be an increasing disadvantage for us and we feel the report gives a much too bright picture of the possibilities involved in EFTA cooperation. As a country that almost joined once Norway has higher ambitions than the group of neutral countries among whom we find ourselves now.

A great deal of the report is devoted to EC's foreign policy cooperation--EPS. There are obvious reasons for this. Except for Iceland Norway is the only European NATO country that is entirely outside EPS. This is extremely critical in a situation where the EC countries are to an increasing extent coordinating their views and arriving at a European identity that we must also relate to. The government now admits that we have reached a barrier that cosmetic efforts cannot hide.

Storting must now recognize the law of necessity that calls for adjustment to EC's internal market and the possibilities that are involved in cooperation on research and technology. This is not very controversial and the government will get the green light for the operations that must be carried out in relation to EC.

In spite of its defects we are glad that this report has been written. Our elected representatives will have a chance to "rediscover" Europe even if this does not lead to an immediate re-evaluation of the standpoint taken in 1972. One of the things that can be discussed now is our position with regard to monetary cooperation. The time is now ripe for Norwegian association. The report says very little about this.

With very few exceptions the political parties have shown incredible indifference to the question of Europe in their programs. With the new debate on Europe they will now have to study the material more thoroughly. The government report provides a basis for doing so. This is another valuable aspect of the report on Europe.

6578

CSO: 3639/63

BRUNDTLAND, ENERGY MINISTER IN TALKS WITH OPEC HEAD LUKMAN

Oslo AFTENPOSTEN in Norwegian 5 Jun 87 p 40

[Article by Flemming Dahl]

[Text] "I like what you're wearing," Prime Minister Gro Harlem Brundtland remarked when she met Rilwanu Lukman, Nigeria's oil minister and president of OPEC, in the government building in Oslo yesterday. "It's very special," she added.

So far Lukman's visit to this country has been characterized to a large extent by the exchange of polite phrases. Lukman has expressed gratitude for Norway's resolve in recent months to limit oil production in order to help OPEC, the Organization of Petroleum-Exporting Countries, keep oil prices up.

But Lukman has also talked about other things besides oil: In the meeting with Gro Harlem Brundtland he expressed appreciation of Norway's contribution to the opposition to South Africa's apartheid regime.

He also mentioned the debt problems of the developing countries, especially the African countries, to the prime minister and expressed hope that they will be solved to the satisfaction of all concerned.

Before the meeting with the prime minister Lukman had talks with Oil and Energy Minister Arne Oien and Foreign Minister Thorvald Stoltenberg. The OPEC president arrived in Bergen last night and will go from there to the Statfjord field today.

Oien, Lukman Both Want Stable Oil Prices

There seems to be a good possibility that oil prices will remain between \$18 and \$20 a barrel in the months ahead, Oil and Energy Minister Arne Oien and his Nigerian colleague, Rilwanu Lukman, said in Oslo.

But Oien stressed that possible developments in the war between Iran and Iraq and in the world economy could upset the present stability of oil prices. In recent months prices have remained around \$18.

Prices stabilized at that level after the Organization of Petroleum-Exporting Countries (OPEC), of which Lukman is president, decided in December to limit production, a move that Norway, which is not a member, has followed.

Oil and Energy Minister Oien thought it was likely that Norway will also limit its production after the end of June. But he stressed that a Norwegian decision to do so will depend on what the OPEC countries decide with regard to their own production during the next meeting in Vienna at the end of June.

Lukman has no guarantee that a potential new nonsocialist government will take the same stand on OPEC as Gro Harlem Brundtland's government has. But with regard to a possible change of government Lukman expressed hope that any Norwegian government "will act in the best interests of the Norwegian people" when it comes to oil prices.

6578

CSO: 3639/71

BRIEFS

EEC GRANT HOPED FOR--European Socialist MP's are acknowledging the possibility that by the end of 1987 or the start of 1988, an integrated program will be in operation for Portugal. It may channel into our country the same thing that Greece received in identical circumstances--that is, about 320 million contos. This was announced at a press conference in Cascais yesterday by Janis Sakallariou, a West German deputy and member of the European Parliament's Regional Policy Committee. The original draft resolution on the integrated program for Portugal was signed by all the Portuguese European MP's of various political hues, the entire European Socialist group, and all the members of the Regional Policy Committee, on which the 12 EEC countries are represented. Greece received the above-mentioned amount as part of the integrated program for Mediterranean countries, that being the price it exacted for its assent at the time to Spain's and Portugal's entry into the Community. Sakallariou made it very clear that responsibility for the draft resolution must be assumed by Portugal, which will have to use all the resources at its disposal to obtain those extra amounts from the Community. The draft resolution will be refined by the European Parliament's Regional Policy Committee. After approval by that body, it will also have to be approved by the Parliament and Council of Ministers, and that is where the stiffest reservations can be expected. But in Sakallariou's opinion, the major beneficiaries--that is, the rich countries in the north--"must be prepared to give compensation to the other countries." [Excerpts] [Lisbon DIARIO DE NOTICIAS in Portuguese 9 May 87 p 3] 11798

CSO: 3542/97

'COMPANY SALVAGE' BILL EXAMINED

Istanbul DUNYA in Turkish 12 Mar 87 pp 1,7

[Article by Istanbul University instructor and former Transportation Minister Professor Dr Mustafa A. Aysan: "On 'Company Salvage' Bill"]

[Text] The bill "On Encouraging the Capital Market, Extending Industrial Ownership to the Public, Measures to be Taken to Correct the Economy and Amendment of Corporation Tax Law No 5422, Tax Procedure Law No 213 and Banking Law No 3182" passed the Budget and Planning Committee, and discussion of it has begun in the Turkish Grand National Assembly general session. The bill is expected to become law without much alteration in the Assembly. Though not named in the title, "export incentives" are included among the goals of the bill. Although the primary goal of the bill is "company salvage," it has many other intended purposes as well. It does not, however, look as though it will be very effective in practice, except for the incentives offered the banks.

As stated in the first article, the bill has many fine goals such as "bringing capital into the public purvue, development of the capital market and strengthening the capital structure of joint stock companies." One must admit that the possibilities of realizing all of them in a single stroke with one bill are limited. If the bill is enacted as it stands, the State Investment Bank [SIB] will become an export-import bank. Financing exports-imports, engineering services at home and abroad and foreign investments is such a laudable goal that, although the entire banking system operates for that purpose now, business still contends that the credits offered in these vital areas are inadequate. The second article of the bill places among the duties of the SIB only the financing, insurance and guarantee of all these activities in which the credit offering is inadequate. Although all services other than export insurance are provided by all the public and private banks, it is impossible to understand why anyone would want all of these commercial banking procedures to be suddenly given to the SIB also. It would have to be rather difficult for the SIB to perform all of these commercial banking services in addition to its existing functions in financing the SEE's [State Economic Enterprises]. These two types of services require different areas of expertise, making it difficult to perform both at once even if backed up by extensive financial and personnel resources. Nevertheless, there is also a desire to put export insurance, yet another totally different area of expertise, under the SIB. It may be better to establish a new organization which would

become expert over time for this latter function. There are Western examples of the organizational structure export insurance might take. Advantage should be taken of this Western experience in forming an export insurance company here.

The SIB's existing duties are quite important to the economy and the country. And these duties have become even more important with the government decision to privatize the SEE's. The SIB will probably have important tasks to perform in the privatization process. Actually, it is puzzling that the SIB has not been given a more active role in SEE privatization so far. Indeed, this bank we already have may be more capable and effective than the State Planning Office for this job. It might actually be better to hand over management of the "Public Partnership Fund" to the SIB. The SIB is familiar with the SEE's and has valuable expertise in that area because it has handled their financing for many years. The attempt to assign it functions in which it has no expertise is incomprehensible. It is wasteful of a unique resource for our state to seek intermediary organizations at home and abroad to carry out the privatization of the SEE's when such an expert organization already exists. If the SIB is deficient, it should be developed in such a way as to improve its state investment banking functions. From this standpoint, it would be useful for the bank to be converted to a joint-stock company and assume private-company status as this article of the bill envisages. However, it would be better to do it by amending the SIB founding legislation than by incorporating the change in such a multipurpose bill as this.

Article three empowers the Council of Ministers to procure the money needed for all these functions that would be given to the SIB by channeling money to the SIB from the State Budget, the funds, the Central Bank, the state-owned banks and other sources. The article would also prime the "inflation pump" in the economy if enacted as is.

The State Budget and the Central Bank must be deleted from this article. An article has to be placed in the annual budget law for budget appropriations to be made for any organization. And the Turkish Grand National Assembly is the only body that can do it. It is unconstitutional and against the General Fiscal Management Law for the government to usurp this authority. Allocating Central Bank funds to other organizations creates inflationary pressures. Placing such a burden on the Central Bank and the budget would dangerously fan the flames of inflation.

The SIB will definitely need additional resources to perform the tasks enumerated in the second article of the bill. It would be better to find those resources through methods that would not increase inflationary pressures. For example, supporting the reorganized SIB through the funds or the sale of bonds, as done formerly, are less inflationary methods.

The most effective provisions of the bill, perhaps, are those dealing with incentives for banks which come to the aid of companies having trouble meeting their loan payments. Although bound by tight restrictions, significant incentives are listed in article 5 for banks which take over 51 percent of

the capital of a client having payment difficulties. In such cases, debts owed to other banks by companies which have 51 percent of their shares taken over by a bank will be postponed interest-free for 5 years, and interest after the first 5 years will be half the Central Bank rediscount rate. A second incentive for these companies is that the Council of Ministers is authorized to allow postponement of their tax and social insurance obligations for 5 years and the reduction of interest on postponed payments to half the interest applied to state loans.

If the bill is enacted, corporation and income taxes will be lifted on the profits obtained if company shares acquired by banks by converting debts into capital are resold to the public. In other words, if a bank acquires capital shares of a client which falls behind in its payments, helps the client improve the company and sells the shares at a profit after the company is back in the black, it will not have to pay corporation and income taxes on the profit. The bill also makes it possible for companies of this kind to be exempt from stamp duties and fees.

These incentives for creditor banks are generous. However, implementation of such a salvage model depends on the approval of the troubled company's general assembly (article 5c). There is no provision forcing the senior partner of a company, or a general assembly majority, to approve this creditor-bank model. Actually, the troubled company ought to be forced by law to approve a proposal by a creditor bank, or banks, that conforms to the salvage model defined in the bill, because the problem has grown to these dimensions because companies having payment difficulties have rejected similar proposals by creditor banks. Debtor companies are able to manipulate the debtor-protection provisions of the executive/bankruptcy law and, in practice, both refuse to pay off their bank loans and reject any proposal the bank makes. There is nothing in the bill to prevent this, either. However, if such a proposal made by the bank is rejected, the only recourse envisaged for the creditor bank is to proceed with foreclosure.

The second soft spot in the bill is that the salvage model is made contingent upon having the proposal submitted to a council "composed of the minister to which the Under Secretariat of Treasury and Foreign Trade is subordinate (currently the deputy prime minister) and the minister of finance and customs" and having implementation of the model contingent upon approval of the proposal by this council.

It is not a good idea to leave the final decision on the salvage of a floundering company, one of the most troublesome problems of business, up to a council composed of two ministers. Leaving this kind of basic decision up to two members of the government will lead to having a basically economic decision influenced by political pressures and is a sure way to create accusations and counter-accusations between the administration and the opposition parties. The worst drawback of the salvage model drafted in the bill is this leaving of basic decisions to a council of ministers. If it is enacted, government members will also be among the groups that complain the loudest about this method.

Instead, a much better method would be to establish a specialized company-salvage bank, finance it through contributions from all the other banks and let it make basic decisions independently. The drawbacks to this bill show that our country needs at least a "Company Salvage Bank." Instead of experimenting with untried methods whose success is doubtful, it would be better to start looking for solutions by benefiting from the experience of the developed nations in this area.

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