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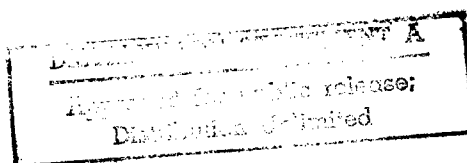
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15 JULY 1988



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# ***JPRS Report***



## **West Europe**

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## AUSTRIA

### Counter of Socialist Party Under Vranitzky Viewed

36200132 Vienna PROFIL in German  
16 May 88 pp 18-20

[Article by Hubertus Zcernin and Christoph Kotanko: "'We Are a Left-Wing People's Party'—In Its Centenary Year the SPOe [Austrian Socialist Party] Says Good-Bye to Socialism and Seeks Refuge With Franz Vranitzky Superstar"]

[Text] In November 1946, when Josef Hindels, 30 years old at the time, got ready to address his audience in the Sofiensaele in Vienna, the Socialist world was still comparatively intact. Nevertheless, the training and education official faced his comrades with the thunderous claim that as soon as there was a "red majority" there would be an end to "cooperation with the class enemy."

Even the moderate party chairman, Adolf Schaerf, no offspring of the labor movement, vociferously voted for a planned economy at the party congress. Though there was a great deal of internal party dispute concerning participation in the government, there was no doubt about who the class enemy was.

In the Konzerthaus last Wednesday, when Hindels, by now 72 years old, made his appearance—already something of a ritual—there seemed to be hardly anything left of the old party spirit. Recalling the good old days, one freedom fighter remarked: "At that time the great majority of delegates consisted of people who had been in the Social Democratic Party before February 1934. A small portion were also in the underground. Today there are only very few left who witnessed the party of Otto Bauer."

What the veteran party member finds even worse is that more and more officials are ready to throw overboard not the history but the theory of the Austrian labor movement, which soon will be 100 years old. Seeing the turning point approach, Hindels says: "It is a movement toward a people's party, but not a left-wing one. There are very, very strong trends of social democratic conservatism. Its peculiarity consists in its wanting to conduct better conservative politics."

But what, in the view of the Marxist turned white, comes close to a secularization of socialist beliefs, is regarded as a tribute to sociological change by the postwar comrades.

For example, Hannes Swoboda, Vienna municipal councilor-designate for planning, outlines the new party platform as follows: "We are a left-wing people's party, and this is what one should profess. After the antithesis, we are now aiming at a synthesis. We opposed certain values to capitalist society; now it is a question of tying these things closer together and establishing a symbiosis."

He continues: "One should intellectually and ideologically catch up with certain realities."

Franz Vranitzky's being elected the seventh chairman of the SPOe is a result of this effort. He joined the party from the side, as it were, with rather nostalgic ties to social democracy ("My father was a class-conscious worker") and for him the red signposts are not much more than the Ten Commandments are for a nominal Catholic.

What Bruno Kreisk, himself, decried as a perversion of politics in the case of the OeVP [Austrian People's Party], which was in the opposition at the time—namely, having a banker heading a party—became an SPOe reality in the Vienna Konzerthaus when 93.6 percent of the delegates elected Vranitzky party chairman.

The heritage of a Victor Adler is being assumed by a man who openly says of himself that he does not consider it relevant "continually to mumble prayers with a set vocabulary of set content from a kind of socialist Gruenderzeit [the years of the latter part of the 19th century in which the foundations for industrial expansion were laid]." The Tyrolean, Herbert Tieber, who heads the perspectives-for-the-nineties debate, says that "many consider him an outstanding operator" and "a man interested in cultural policy and tolerant to boot."

A smart educated citizen who scores in the same domain where Bruno Kreisky, too, hit the bull's-eye for the longest time—among the homeless liberals.

Finally, a politician who to a large extent has so far lacked what in the case of his predecessors was a matter of course—a solid and clearly defined ideology. As yet he has advocated in truly credible fashion only one of the old virtues—antifascism.

When he relieved Fred Sinowatz as chancellor in June 1986—almost 2 years ago—he, significantly, still labeled the SPOe as an "association of interests and opinions."

Unnoticed by the public at large, the 51-year-old Vranitzky last March barely avoided looking ridiculous when, following Sinowatz' somewhat rushed withdrawal from all posts, he laid out his philosophy in a press conference. Reading from a checklist, he recited what young comrades learn in the Red Hawks organization, citing expansion of care for the socially disadvantaged, full employment, and freedom of thought and artistic creation.

As his top priority item, however, the former banker, Vranitzky, mentioned something which previously had rather been voiced by the liberals and conservatives—promotion of the idea of performance.

Clearly in order to make up for lost ground, he said in the TV "Domestic Report" the week before last that his assuming the chairmanship of the party should be seen "as the biggest task of my life so far and one whose importance cannot be exceeded."

Nevertheless, no one personifies the new era in the SPOe as well as Franz Vranitzky does. The classic industrial worker has become a rarity, and social democracy (not only in Austria) has entered a crisis. "Now," says Guenther Sallaberger, central-secretary-designate, "it is a question of caring about workers and employees."

Vranitzky represents what his followers are advertising as a new quality: "It is a question of adapting policies to current objectives—in other words, of tying them to new values such as individuality, readiness to perform, and a society of performance." (Swoboda)

Whereas the politics of the People's Party are wholly aimed at reducing the Christian conservatives to their core, the neo-social democrats have come to realize that the future lies outside the traditional base. Because of a lack of compactness, there is nothing more one can get out of industrial labor. On the contrary, as a result of the necessarily rigid policy of nationalization, industrial labor is getting increasingly disgruntled about the SPOe line.

In that area, one cannot get anywhere with reform socialism for the time being.

The majority is located elsewhere. The Socialists must consistently start to address the new middle classes (which Sinowatz already recognized as the voters to tip the balance) with a shop window that is decorated in as varied a manner as possible.

Work, progress, social responsibility, democratic humanism, international solidarity, comprehensive appreciation of the environment, openness, and tolerance—these were the seven set pieces the new chairman used at the party congress when he delivered a 2-hour report on party principles sporadically interrupted by applause. "These," said Vranitzky, are "all those values and attitudes which we have arrived at on the basis of our past experience and analysis of the present."

He continued: "Only if we say who we are, are we going to be accepted. Only if we say what we profess, will we also be elected." However, an ersatz ideology stands above everything. As Christian Cap, chairman of the Young Generation, put it, "a specter—modernization—is abroad."

Wherever there are crises in this country—nationalized enterprises, agricultural market, social security, new poverty—it is modernization which is to provide redress, because that is where the main qualification of the former chairman of the board lies.

Even the style of the principal actor is a matter of policy—the SPOe chairman in his Lacoste shirt, his wife after the U.S. fashion—busy in charity events on the golf course.

When Kreisky was still in power, says political scientist Werner Pleschberger, modernization was primarily interpreted "as an infrastructural task." It was mainly a question of doubling telephone connections or modernizing the Federal railways, as Vranitzky's predecessor boasted.

Now, according to Pleschberger, modernization is understood as "an integrating concept of social development," as making social, cultural, economic, and bureaucratic systems more dynamic. For the moment, however, Pleschberger deprecates, it can probably be best described as having taken shape in the direction of technological innovation.

Modernization, which according to Tieber has been understood in the SPOe "as a social reform program," is now supposed to help remove the material damage caused by the exuberant zeal for reform of the seventies.

Left-winger Erwin Lanc, commenting cynically on Vranitzky's push for modernization in a remark at the party congress, said that he would like to know who was pushing whom where.

The chancellor's new deal has not got much to do with classic socialism. Pleschberger says: "The modernization platform has an anti-ideological emphasis and is peculiarly removed from such ideas as 'base' or 'left-right'...The contrast between government policy and party traditionalism is obvious."

No wonder Vranitzky in addressing the party congress carefully avoided any reference to the still valid party platform of 1978, which originated in a different political reality. Today, topical subjects—the environment, unemployment, neutrality, integration in the European Community—either are not being dealt with at all or are being treated in a very cursory manner.

Even among SPOe ideologues such as the parliamentary leader, Heinz Fischer, the realization is ripening that "the number of decisions which are being made regardless of the party platform" are on the increase. The number of problems "which are not adequately mirrored" in the platform are increasing.

The document on principles has long since ceased to incorporate what the intellectual progenitors a decade ago called "the convictions, desires, and hopes of hundreds of thousands."

A quotation from the preamble: "The May platform of 1978...retains the basic orientation toward a classless society without privileges or dependences, but adds to

this basic orientation four basic values which, particularly also for day-to-day politics, are the criteria indicating whether the orientation toward this aim are being observed. Liberty, equality, justice, and solidarity have, thus, also become values of orientation for those who want to measure SPOe practice by the SPOe platform."

What has remained are not the dreams of a classless society but the pillars of enlightenment.

Hannes Swoboda says: "Without explanation, the idea of a classless society certainly is no up-to-date postulate. Today, one has to say that we are for a classless society in the form of a society of diversity, of various possibilities of advocating one's interests. The accompanying leveling undertone would need to be eliminated. If one means by a classless society that everyone makes the same amount of money and everyone should look alike or think alike—we don't want that."

A necessary result of the change of values under the aegis of Vranitzky is a new version of the party platform. Sallaberger says: "I definitely think that after 10 or 15 years one should conduct a new debate to come up with a new platform. It is, however, the federal party executive which would reach such a decision."

Herbert Tieber, who for years with exceedingly small support from the SPOe executive has tried to impart new perspectives to the former labor movement, considers it irrelevant under which heading such a debate would take place. He says: "Basically it would be necessary not only to talk about, but to make a decision about this debate. I am urgently waiting for such a decision."

Intraparty conditions being what they are, the coordinator of the "'90 Perspectives" debate will have to wait quite a while longer. Articulating his priorities at the party congress, Vranitzky stated: "We have to shift the party structures, the form of organization, and the course of party activity if we are not to lose the character of a member party and do not want to become a mere voters' party."

As chief of the SPOe, the chancellor announced that base organizations, local, district and more far-flung groups (many of which have been only formally in existence) are to be opened, saying: "Opening them has a spatial, a personal, and a political dimension. There are many ideas; let us approach them in a definitely unorthodox way."

Nevertheless, he chose the tight organizer Sallaberger, not the expert policy maker Swoboda, to be his central secretary in addition to Heinrich Keller. The former Chamber of Labor man would have sought reorganization with long-term means; Sallaberger is a man who wants to get things done quickly.

Herbert Tieber hit the nail on the head when he said: "Assumption: Sallaberger and Swoboda are not two persons for one idea but two ideas expressed in terms of persons. What Sallaberger stands for is evident anyway: to fight an election campaign, to mobilize voters, to attain power. Swoboda would amount to the same thing—only with an attractive detour."

The personnel decision to put a tested election campaigner in Peter Schieder's place has tangible motives: Except for the Salzburg, Graz, and Vienna municipal elections, there have only been defeats for the comrades in the past 5 years. Even pink panther Franz Vranitzky was unable to significantly brake the downward trend in 1986. the SPOe lost 4.5 percentage points of votes and 10 seats. "Without him, however," says Swoboda, "it would have been much worse."

The chancellor's popularity (which continues to be solid) prevented a Socialist fiasco.

So quite a few people hope that Vranitzky (who else?) will bring about a change. Linz Mayor Franz Dobusch says euphorically: "A step in the direction of absolute majority was taken."

His current high in all polls (even Kreisky's figures when he was at the height of his popularity pale in comparison) can also be traced to his weak deputy chancellor, OeVP Chairman Alois Mock.

Only his own party youths are slowing him down, though even among them he scored with his dissociating himself from Kurt Waldheim.

In public the Young Socialists take offense at the posts of chairman and chancellor having again been combined in one person, because as late as at the party congress in October 1987 it was considered essential to keep these posts in separate hands. Vranitzky, therefore, may still have a problem with his unaccustomed double role, points to Christian Cap when he says sarcastically that his report on party principles in the Konzerthaus "was not the address of a party chairman but an address by the federal chancellor."

That was also indicated by the selection of Sallaberger, he says, for the chancellor was not interested in the "independence of the party," but really only in a sound organization.

"Personally I expected concrete answers—dates, actions—from the party congress," Christian Cap says, "but nothing like that was noticeable."

Nor was this deficit offset by Franz Vranitzky's holding forth at length about the "force of utopias and visions" in the congress hall.

During intermissions, though, a report of an alleged conversation between Heinz Fischer and the new SPOe chairman made the rounds among the delegates:

Fischer (animated): "The SPOe needs visions."

Vranitzky (cool): "If one has visions, one needs a doctor."

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## DENMARK

### Progress Party Political Spokesman Kjaersgaard on Platform

36130066 Copenhagen *BERLINGSKE TIDENDE*  
in Danish 30 Apr 88 p 6

[Article by Pia Kjaersgaard, political spokesman, Progress Party: "Election 1988: On Television This Evening: Progress Party"]

[Text] Does anyone really believe this election will weaken our NATO membership in the least? The Progress Party does not think so, and we firmly believe that this election is completely unnecessary. The Progress Party's position on NATO is quite clear: We have been the only party to have dissociated itself and voted against the many socialist agendas. This the government has not done even once. The only reason we have been able to find for the calling of the election, then, is that the government got bogged down and was not running things.

Since the last election, a mere 8 months ago, no nonsocialist policy has been carried out. Just look at the 1988 Budget Bill, which the government let the Social Democratic Party put their huge imprint on, thereby increasing public spending by several billion.

Only if we again avoid an unclear majority by having the Progress Party be in the majority with a number of nonsocialist parties, will the Danish economy progress. We certainly know that we cannot work with the Radical Liberal Party when savings have to be made in public spending and when Denmark's independence has to be ensured.

Many important matters were interrupted when the government called elections, and among these unclarified matters is a solution to the many problems of agriculture.

Similarly, the Progress Party was in the process of getting the unreasonable interest payment which the government's potato cure brought about abolished.

The Progress Party was also in a central position on the issue of modifying the property tax, which we would like to see abolished. The government's so-called nonsocialist parties have left these and other valuable changes up in

the air, and it is completely unreasonable for this to occur in favor of something we know a majority of the population is for: our membership in NATO.

In the years which preceded the present paper war, on 22 occasions the government has allowed socialist agendas to run Danish security and our NATO work. In a weak and damaging way, the government has failed to vote against these agendas, and of all the Folketing parties, only the Progress Party has voted against all 23 agendas. It is incredible that Denmark has only one party which has actually supported 100 percent, but this the Progress Party has done.

For the Progress Party, it is important that Denmark preserve its independence, both militarily and economically. The economy is another of the four-party government's weak points. If production is to get rolling, there will be big cuts in the public sector. There will be an end to tax and fee hikes and instead taxes will be lowered! The Progress Party has said this time and time again, but has always met with resistance to these points of view. The conservative finance minister has even stated that the public sector is big but reasonable, given its size. These erroneous points of view only mean that new taxes can be expected if the government we have had up till now goes on without the influence of the Progress Party.

When the Progress Party and the other nonsocialist parties achieve a majority, our foremost task will be to make deep cuts in excess public consumption. We want a smaller public army of paper shufflers and instead want initiative and expansion in manufacturing.

Tax simplification is the Progress Party's key word for a new era in Denmark. We know it can be done, since the model has been successfully put into practice in several European countries. Likewise, privatization is a useful model for solving many of the matters in which the public sector currently plays a part.

Private funding could be brilliantly applied to the Great Belt Bridge, but it is terribly hard for the other politicians to accept new thinking.

When this unnecessary election is over, we will, hopefully, see a majority consisting of nonsocialist parties. The Progress Party would, then, again have Poul Schluter as prime minister, since this would be the most practical for all the parties. We find Niels Helveg Petersen's candidacy quite ridiculous and we hope that we shall see a greatly reduced radical group instead. This would be a great help to representative democracy, and for this the Progress Party hopes for voters' continued support, so our progress can continue to benefit the people of Denmark.

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## FEDERAL REPUBLIC OF GERMANY

### Albrecht Interview on North-South Financial Discrepancy

36200134 Hamburg DER SPIEGEL in German  
6 Jun 88 pp 88-94

[Interview with Ernst Albrecht, prime minister of Lower Saxony, by Hans-Juergen Schlamp and Juergen Hogrefe: "That Is Dangerous for Us"]

[Text]

[Question] Mr Albrecht, is politics fun for you again?

[Answer] What do you mean, again? Politics has always been fun for me.

[Question] Not even your friends in the party noticed that in the past. They had already written you off as being weary of your office....

[Answer] ...which I never was.

[Question] Then you were only pretending.

[Answer] No. But I have restrained myself quite consciously since the Federal Government has been led by the CDU/FDP. It is easy to make oneself prominent as the head of a Land government at the expense of the Federal Government.

[Question] You mean your colleagues in the south.

[Answer] I am not now naming any names.

[Question] In Bonn, you were considered easy to handle. Whenever you wanted something for your Land, you, in contrast to Lothar Spaeth or Franz Josef Strauss, were regularly rebuffed.

[Answer] I have no reason to complain. We were handled fairly last year in the reform of the Laender financial adjustment. Or another example: the federal chancellor, who had the choice, quite intentionally scheduled the next European summit in Hanover.

[Question] That shows?

[Answer] That Lower Saxony has no reason to complain about the Federal Government.

[Question] It is the result that counts. You complain loudly that the orders of the Federal Post Office, the Bundeswehr and the research budgets go to the south and that the north and west come off badly.

[Answer] Yes, but I always added: there is no ill will behind it. There are objective reasons for it. The industry and research facilities that fulfill the needs of the Federal Government especially well are in the south. In the

placing of orders, that is all I am saying now, it is the grown structures that produce the imbalance between the north and south. Nevertheless, the Federal Government must think of something to counteract this better than it has heretofore.

[Question] How?

[Answer] If one is to diminish the disparity between southern Germany on the one hand and northern and western Germany on the other, then one must change these structures, that is, shift more research facilities and other investments to northern Germany. In other words: Jessi [Joint European Submicron Silicon Initiative] belongs in northern Germany.

[Question] A project in which the bases for the chip generations of the next century are to be researched.

[Answer] Exactly. The first application line for the magnetic cushion train must be in northern and western Germany. And we demand that the Federal Government with all of its policies ensure that the economic and social development in the regions of the republic does not diverge further. The constitution obligates it to do so.

[Question] Bonn is not fulfilling its constitutional duties?

[Answer] Not adequately. The Federal Government must do more than it has so far to take into account the special burdens on the financially weak Laender afflicted with structural problems.

[Question] Your quiet manner has not paid off. What you did not achieve through loyalty, you are now trying to get through stubbornness.

[Answer] No. But I have now appealed to the public out of the recognition that the resolution of the north-west/south problems requires a major action and that confidential talks here do not lead to a satisfactory result. The press and television must take an interest here. And I brought about a resolution of the Federal Council that was supported by three CDU-Laender and four led by the SPD.

[Question] Contrary to your normal manner, you really gave them hell?

[Answer] That is right.

[Question] Because otherwise Bonn will not take your concerns seriously?

[Answer] Because the problem is so important that there is no other way. The analysis of our four north German finance ministers, a joint project, even surprised us. In addition to the difference of billions on the revenue side, there is a disparity of about DM4 billion between the



north and south just through the different burden of relief payments. An additional annual deficit of DM16 billion arises through the unequally distributed flows of orders by the Federal Government. After we recognized this dimension, we had to take decisive action.

[Question] That really put your party in a state of turmoil.

[Answer] It is quite clear that one cannot succeed here when everything is discussed only confidentially behind closed doors. In this connection, the subject is too troublesome....

[Question] ...for the coalition in Bonn as well as for your south German colleagues. You are demanding that in the future the federal treasury must take over half of all the social relief payments of the Laender and municipalities. Why? Is the Federal Government responsible for the enormous increase in these costs?

[Answer] Under the constitution, the Federal Government must take action when there is a danger that the regions will develop disparately. The vicious circle is in the fact that the one that is weaker economically and financially not only has lower income but also must use a disproportionately high share of this income for unproductive expenditures, that is, for social security and interest payments. These billions are then no longer available for promoting the economic development of the Land. Not so for the richer Laender: they do not have these social or interest burdens and can use additional billions every year for investments in the future. In this way, the rift between northern and western Germany and the south is becoming greater and greater.

[Question] You yourself are responsible for this, counter party friends such as Bavarian Finance Minister Streibl. Your problems, at least in part, are "of your own making."

[Answer] Yes, but that really cannot hold up to any objective analysis.

[Question] Why not? You have now been prime minister in Lower Saxony for 12 years. The problems are now so great that you must get help from Bonn and the southern Laender. So your policies were not so successful?

[Answer] The mere idea is absurd that all three Laender in southern Germany, regardless of whether they were governed by the SPD-Greens, CSU or CDU, were managed fabulously, whereas all of the Laender in the north and west were poorly managed, quite independently of who governed there.

[Question] Nothing has become of the "rising Land" Lower Saxony that you promised years ago.

[Answer] When we took over the government in 1976, we, along with Schleswig-Holstein, were the weakest Land of the Federal Republic structurally. Since then, we have made considerable progress and have reached a good middle position. As recently as last year, we had the greatest increase in jobs among all of the Laender. But I fear that this positive development will be cut short if there are not some changes in Bonn.

[Question] Does that mean that your policies are wonderful but the people in Bonn are ruining everything?

[Answer] Not exactly. But it means that the Federal Government's permanent policy of foregoing revenue, which we are also supporting, is causing more of a hardship for the financially weaker Laender than for the stronger ones. For this reason, the Federal Government must do a better job of exercising its equalizing function.

[Question] Lothar Spaeth is suggesting the establishment of a structural ministry in Bonn that would promote disadvantaged regions with DM20 billion in the next 10 years. Is that not enough for you?

[Answer] I believe that the idea of colleague Spaeth in its entirety is unacceptable. But I am quite prepared to take over elements of it. For example: if one establishes a long-term structural fund from which the weaker Laender can obtain additional financial resources, why not? But that alone is not enough.

[Question] Your friends in the CDU Presidium are prepared to let you have more money. Not because they accept your arguments but because you have the necessary means of exerting pressure: the Federal Government's tax reform cannot be put through without Lower Saxony's votes in the Federal Council.

[Answer] I have the impression that the arguments are now being accepted. The size of the problem is disputed and it is said that it is more complex than I describe it to be. But no one any longer disputes that there is a danger here for the economic and social unity of the FRG.

[Question] Out of fear that you could upset the tax reform.

[Answer] No, out of discernment.

[Question] Is there, then, a link between your social relief initiative and the tax reform?

[Answer] I have always insisted that the tax reform be discussed on its own merits, as should our proposal as well. It is obvious that both questions involve finances. We in the coalition must now make sure that the major reform projects—tax reform, holding down public health costs, and the reform of old-age pensions—are realized. At the same time, however, the finances of the Federal Government, Laender and municipalities must remain

solid. That is the real task for 1988. Happily, we are becoming fully cognizant of these interrelationships and are taking appropriate action.

[Question] Would you really have the courage to put into effect your never-expressed threat and topple the tax reform, the most important project of the Kohl administration—if necessary with the help of the Social Democratic opposition? Or are you just bluffing?

[Answer] I have already been asked that a thousand times.

[Question] You have never answered.

[Answer] I believe that the best method is the one that we have now chosen, namely, not to establish any link between the two problems but, nevertheless, to resolve each problem.

[Question] To resolve them by when? Before 8 July, prior to the vote on the tax reform in the Federal Council?

[Answer] Even earlier than that, I would say. Before the summer vacation of the Federal Assembly [Bundestag].

[Question] Whether that works depends not least upon you. How prepared are you for compromise? What is the least that must come out of it?

[Answer] The following is critical: in the first place, we must find solutions that actually reduce the imbalance between the north and west on the one hand and southern Germany on the other. Secondly, it must work in the long term. Thirdly, the result must be just as fair for the Laender under SPD leadership as for those led by the CDU. Fourthly, the volume must be adequate.

[Question] Under your plan, Lower Saxony would receive annual relief of about DM700 million, whereas North Rhine-Westphalia governed by the SPD would get about DM1.7 billion. Party friends are offering you another model, under which Lower Saxony's demands would be largely met but only very small amounts would result for Rhine and Ruhr. That would help out Stoltenberg's cashbox and appeal to the CDU.

[Answer] That is not acceptable. The financial resources must be distributed in a fair and objective manner.

[Question] You are not letting yourself be bought out of the alliance with 700 million for Lower Saxony?

[Answer] I have stated that clearly.

[Question] So for you it is more a matter of principle than of Lower Saxony?

[Answer] I can formulate it even more pointedly: our social relief proposal is not the most favorable for Lower Saxony. We, along with Saarland, have the lowest per-capita expenditures for social relief of the northern and western Laender. Nevertheless, we made this proposal because it begins precisely where the burden of all is the most oppressive.

[Question] Would you go along with a graduated arrangement: initially smaller and later growing relief?

[Answer] No one would gain anything from that. We in the coalition, taking into consideration the urgent problems of the Federal Government, Laender and municipalities, must now modify our financial planning anyhow. Not much is done there in stages.

[Question] Does not Bonn need a quite different financial policy? Do you fear that the CDU might lose what is possibly its most important political asset, namely, the voters' belief that the conservatives could manage money better than the SPD?

[Answer] We must at least be careful there. Through the unusually successful stability of our policies and through the fact that there has been no more inflation at all in recent years, the state is lacking the supplementary revenue to which it was long accustomed through inflation. This has resulted in deficits in the public budgets and the borrowing increased again. This is perilous for us. For in the consciousness of the people we are deservedly known as the party that borrows the least and that has stood for solid budgeting....

[Question] You were.

[Answer] ...for decades.

[Question] And today?

[Answer] If we do not watch out, we can lose our reputation. For this reason, we must act—and now, in the middle of 1988.

[Question] That means?

[Answer] This time it must be right. We must now plan for 1990 and determine exactly what must be financed and what is the maximum new indebtedness that we want to accept. It will not work out without an increase in the excise duty. It must not be too small. I would, thereby, emphasize the tax on oil.

[Question] What latitude remains for the benefits for the family as promised by Heiner Geissler and Rita Sues-smuth?

[Answer] Only very limited. We have programed increases in expenditures in favor of the EEC. In addition, there is the distribution problem between northern-/western and southern Laender.

[Question] Was it a mistake to exclude the value-added tax from the discussion from the outset?

[Answer] Yes, it was a political mistake to taboo the increase in the value-added tax. But nothing will change this now. No one is proposing an increase in the value-added tax during this legislative period.

[Question] Are you now committing the next mistake when you promise to reduce new borrowing by 10 billion next year?

[Answer] We have to do it. The federal budget cannot continue to operate with a deficit of 40 billion. We will, thereby, be helped by the fact that in the coming years the Federal Government will very probably again be able to count on a profit of billions from the Federal Bank.

[Question] Mr Albrecht, have you given some thought to helping the economy in your Land, Lower Saxony, by giving it more opportunities in trade with the GDR?

[Answer] We are already quite involved in trade with the GDR. That will be intensified in the future.

[Question] Possibly, if you and your coalition partner FDP give up your stubborn attitude in the question of the Elbe border. The establishment of the border in midstream is of great symbolic importance for the GDR.

[Answer] We have to adhere to the London convention, which leaves open two interpretations: the border on the eastern bank or in a zigzag from the west to the east bank according to the old provincial borders. A constitutive establishment of the border here or there randomly because someone or other wants it that way is precluded for reasons of German-German or constitutional policy.

[Question] The legal standpoints were exchanged in the German-German border commission—they were not able to reach an agreement. The only thing that helps is a political solution. That is precisely what you are hindering, however.

[Answer] It is a matter of fundamental questions in German-German policy. The political solution can be an agreement on one of the two possible interpretations of the London convention. It would, likewise, be conceivable that the FRG and GDR would agree, notwithstanding the different interpretation on the border, to settle all practical questions concerning commerce on the Elbe contractually.

[Question] What is fundamental about drawing a boundary on a line that has been accepted in practice for many years with no problems: in midstream?

[Answer] Fundamental is the fact that Germany is divided. That is a misfortune for millions of people. We accept this boundary because the occupying powers drew it that way. But we will not execute a constitutive act that establishes this boundary.

[Question] So you prefer to have poor relations with the GDR?

[Answer] I do not believe that the actual development of our relations with the GDR depends upon the Elbe boundary.

[Question] The GDR sees it differently.

[Answer] The actual, very pleasing development of our relations seems to me to speak more in favor of my assessment.

[Question] Mr Albrecht, elections for the Land parliament of Lower Saxony are in 1990. Are you again going to be a candidate?

[Answer] That is quite possible. I will not make the final decision on this until we are closer to the date.

[Question] Your fight against Bonn and half of the republic would be an ideal end of a political career.

[Answer] Yes, but also an ideal beginning of the next election campaign.

[Question] Which of the two will it be?

[Answer] Well, you will have to wait a little longer.

[Question] Do you consider Rita Suessmuth a suitable successor?

[Answer] Yes, without reservations. But there are still others whom I can imagine as my successor.

[Question] Who?

[Answer] I do not want to set a merry-go-round of candidates in motion. That can wait.

[DER SPIEGEL] Mr Albrecht, we thank you for this interview.

## FINLAND

### Keijo Korhonen, Holkeri's New Foreign Affairs Adviser

#### Comments on European Cooperation

36170072 Helsinki HELSINGIN SANOMAT in Finnish  
16 May 88 p B2

[Article by Anneli Sundberg]

[Text] Prime Minister Harri Holkeri plucked this foreign-policy assistant right from New York. Keijo Korhonen now plays a role that has never been performed in Finland. With the assurance of a man of the world, Korhonen compares Finland's political parties to Coca-Cola and Pepsi-Cola. There is just about as much difference in taste. Korhonen coolly classified the United Nations, his former workplace, as a Third World organization.

You can smell the paint in the office of foreign affairs adviser Keijo Korhonen on Helsinki's Ritarikatu. The surface of the table shines pristinely. The shelves are still gapingly empty.

Behind him are 5 years of the United Nations and the American life-style. Ahead are a spanking new role and an adjustment to the blue-and-red reality of Finland. Finland's former ambassador to the UN is being converted into Prime Minister Harri Holkeri's foreign-policy advisor.

The change of roles does not appear too painful.

The 54-year-old Holkeri is a historian, an experienced Foreign Affairs Ministry official, and a former foreign affairs minister. He helped to formulate Kekkonen's foreign policy and knows it inside and out.

Korhonen is one of Kainuu's two contributions to Finland's foreign policy. The other is Urho Kekkonen. Like Kekkonen, Korhonen also has his critics and enemies. He is a remorseless realist. It has become his trademark. When Korhonen opens his mouth, idealists burst into tears. In Kekkonen's world, the motives of people and nations are corrupt. Always. Ripping apart the golden wrapping paper with which people try to embellish ugly facts seems to be Korhonen's favorite pastime.

Then again, Korhonen has to admit in an apologetic tone, no one is a completely successful realist.

"It requires an emotionless outlook which is scarcely found in human beings."

Korhonen began his new job as Holkeri's assistant around May Day. He served as Holkeri's host when the latter recently visited the United States.

### All Honor to Authorities

When Korhonen went to America 5 years ago, Finland was run by Social Democrats and the Center Party; there was no sign the Conservatives would enter the government.

[Question] What's your impression of Finland's political climate?

[Answer] My reaction is the same as when I was here before. I can't every problem seriously. I was told that the charter tax rocked the government. We have a pretty good standard of living if that kind of question rocks the government.

[Question] Does the makeup of the current government seem natural?

[Answer] The makeup of any government which isn't unconstitutional is natural. But it was surprising in a way. A historian always wants to believe in continuity. In a sense, it demonstrates the truth of the claim that our formal system of parties no longer corresponds to the actual situation. You could say that our political parties differ from each other about as much as Pepsi-Cola does from Coca-Cola.

Finland is becoming Americanized, and it annoys the Kainuu-born man of the world. Personalities have become important in politics, and the significance of television is overemphasized. Politics is becoming more and more superficial.

"I'm very old-fashioned, and I don't like this trend."

Korhonen is thankful to note, however, that respect for authorities is sill part of Finnish political culture.

"That's not bad at all."

Korhonen is one of the consensus men.

He is considered the high priest of a selfish foreign policy. But when he is asked what bothers him most about Finnish policy, he booms out;

"Selfishness."

He accuses organizations of selfishness. The small groups extract advantages for themselves unscrupulously without caring that everyone suffers in the long run.

"We shouldn't let inflation, the traditional Finnish bugbear, get out of hand. It was miraculous that we got inflation under control, despite all traditions. Now the door to the cage is being opened again."

### Of Which Party Is the Man a Member?

[Question] You're a member of the Center Party. Or have you switched to the Conservative Party? Why and how did you become an assistant to the Conservative prime minister?

[Answer] I won't reveal how I vote in elections. On the other hand, I admit that the only party I belong to—my membership has already expired—is the Agrarian League/Center Party.

The present assignment resulted, of course, from the prime minister's observation that he needed help, and it dawned on him that I was free and on my way to Helsinki. We've known each other for a long time. I was surprised by the prime minister's question, but I replied that it was interesting.

[Question] Did it require much thought?

[Answer] About 3 seconds. I said to Holkeri that presumably he knows I'm not a Conservative. Holkeri said he didn't care about that and thought that foreign policy wouldn't be a problem between us. So the issue was settled.

Korhonen judged that he scarcely would have become the assistant of any other prime minister.

The assignment is quite new and unfamiliar.

[Question] Does this mean the prime minister feels he's weak in foreign affairs?

[Answer] Certainly not. The prime minister has all my sympathy. As a historian, I know that our system is right out of the 1800's when civil servants worked from 10 in the morning until 2 in the afternoon with an hour off for lunch. The structure is exactly the same. The prime minister is a small cog in an antique clock that has to be turned all the time in order for the other cogs to turn. I understand very well that the prime minister needs assistance. He doesn't direct Finland's foreign policy, of course, but he does participate in the making of foreign-policy decisions, and it's important that he be informed about basic issues."

Holkeri has had a foreign-affairs assistant up until now, but Korhonen guesses that the prime minister wants someone to talk with who has been around the block as many times as he has.

### Information, Connections

Korhonen has used his first few days at work to discover the purpose of his new role. There is no model to follow.

First, Holkeri plans to serve his boss as a source of information and to present alternatives and background material. He will find out what is happening and see to it that Holkeri also knows.

Second, he will keep in contact with all quarters important in foreign affairs: the Foreign Affairs Ministry, the Parliament's foreign affairs committee, the President's office, the armed forces, the security police, research institutes, the press, and representatives of foreign states.

Third, he intends to make sure that the prime minister is always well prepared when the latter receives important visitors or pays a visit himself.

"A visit doesn't merely mean that people make toasts and overeat. A visit can be thoroughly ruined if you haven't done your homework beforehand."

[Question] Do you plan to compete with Foreign Affairs Minister Kalevi Sorsa?

[Answer] I think that when he borrowed me from Sorsa, Holkeri gave notice that he knows how Finland's foreign policy is handled. There's no point in expecting a big rivalry.

[Question] Don't you think that when there are a lot of cocks in the same roost, one heck of a fight will ensue?"

[Answer] I question whether there's only one roost, and there aren't necessarily a lot of cocks. A poor metaphor.

### Let's Sponge off Swedes!

[Question] What kind of image of Finland does the world have? Do we need to appoint work groups to fix it?

[Answer] As they used to say in the United States, who can be against America, apple pie, and motherhood? Who can be against Finland's having a good image? It's pretty much all the same to me what Finland's image is in the world, as long as it doesn't harm our interests.

Korhonen would disregard the opinions of the man in the street in London and New York. Why worry about them? He would build up Finland's image on facts, if it is now all that urgent to build it up at all.

There's no use trying to sell the image except in chosen spots. Sometimes it doesn't pay to try to sell it at all. For example, the businessmen sell merchandise, not Finland. Big American firms are trying to get completely away from the stamp of nationality.

It doesn't matter to me whether we're thought of as the land of Santa Claus or the land of high technology. The main thing is that people think about us in a positive way and that we're considered a Nordic country. Let's ride on Sweden's coattails!

[Question] Have our affairs with the Soviet Union been handled too indifferently during the term of President Mauno Koivisto?

[Answer] It says in Peter's rules that you shouldn't fix what isn't broken. It's sometimes a good idea to remember that in politics. I've always opposed activity for activity's sake. Why should we jump up and down if it's not necessary?

[Question] Is this the right time for us to strive for West European cooperation.

[Answer] May I quote Kieku and Kaiku? 'Many a cat that's in too much of a hurry is left without a mouse.' This suggests how profoundly important the current timing is. In my opinion, Finnish leaders have always had a realistic view of what's happening and what our goals are. In fact, we're undergoing the same process we arrived at in 1973 after certain difficulties and considerable efforts. The trade agreement with the EEC was one of the most important decisions since World War II. Where would we be now if it hadn't been made? By practicing the same philosophy, we can solve the practical issues as they come up. We're a long way from genuine European integration. Yes, we'll do all right in this matter.

[Question] When will the debate on joining the European Community become relevant for us?

[Answer] Never. I'll put it as vividly as I can: we sell many goods, but Finland neutrality isn't one of them.

[Question] What importance does membership in the Council of Europe have? Purely symbolic?

[Answer] It's about as important as the shift from shacking up with someone to being legally married. People stop saying bad things about you."

[Question] In what condition was the UN when you left.?

[Answer] Just as bad as when I got there, even a little worse, but I'm not shouldering the responsibility. We try to gauge the UN's successes and failures, condition and efficiency, on Nordic and Western standards. That's wrong because what you have at this moment is a Third World organization.

Korhonen emphasizes he does not mean to disparage the Third World. The culture is just so different, and you have to understand it. It's seen in a thousand details, he says.

"It's impossible to begin a meeting within a minute or two of when it's scheduled. It's possible only in Europe north of the Rhine, in Japan, and in the United States,

not in the UN. Fifteen minutes is an incredible achievement. Normally it takes half an hour. The prestige of certain heads of state requires that they make people wait 50 minutes. Those minutes cost staggering sums of money.

[Question] Should we be there?

[Answer] Yes. Maybe reorganization won't bring the results we expected, but then again no one dares to close down the organization. You wouldn't be able to construct anything similar. Cooperation of the superpowers isn't enough. They can't control events.

[Question] Do we have too much respect for the UN's power and potential?

[Answer] We should be honest. Becoming a member in 1956 was a big achievement. People looked up to the UN. The UN idealism that then arose has held on tenaciously. Maybe we have too much respect for the UN and expect too much from it. We should have a positive but maybe not so reverent attitude toward the UN, and at the same time see how we ourselves can benefit from it.

[Question] Will we get onto the Security Council?

[Answer] It's our turn to be on it, and we're trying in earnest. We know very well that the competition is stiff, but we're not going to back out. We hope it won't be necessary to vote. It's a tough league, and the outcome isn't self-evident. There's work to be done. The prime minister did some on his last trip to the United States.

[Question] Was a spot promised?

[Answer] No person in his right mind promises such a thing, but the U.S. secretary of state praised Finland as a UN member without promising anything.

### Ahtisaari and Black Hole

The job of UN secretary will be vacant in a few years.

[Question] Does Under Secretary General Martti Ahtisaari have a shot at becoming the UN secretary general?

[Answer] He's a good man, but not the only good man. He's very competent, but not the only very competent one. The trick is to find someone competent and suitable. The topic isn't otherwise discussed in the UN. Africa has stressed for 10 years that now is its turn.

[Question] Will Ahtisaari fall into a black hole?

[Answer] I'm not saying that. Maybe a suitable African can't be found. I'm only saying that Ahtisaari is competent, but no debate has been held. As far as I know, he hasn't been a candidate in any way.

When Korhonen went to work at the UN, he had three personal goals. He wanted to run the New York marathon, play polo, and write a book.

He ran the marathon, but his polo playing turned into British fox hunting, and his book was postponed to the future.

At home, the opponents of Paavo Vayrynen have now tried to turn Korhonen into a general nonsocialist candidate for the next presidential elections.

"Isn't there anything better to write about in Finland?" he asks.

[Question] Did you become Holkeri's assistant in order to wreak revenge on—or take a swipe at—Vayrynen?

[Answer] Certainly not. It would have been too complicated.

#### **Sees Progress for 'Zone'**

36170072 Helsinki HELSINGIN SANOMAT in Finnish  
18 May 88 p 11

[Text] The proposal made by President Urho Kekkonen in 1963 to establish a zone free of nuclear weapons in the Nordic countries has become more feasible and respectable over the years, thinks Dr Keijo Korhonen. The attitude of the Nordic governments and general public has become more favorable, according to Korhonen.

On Tuesday, Korhonen opened the Urho Kalevi Kekkonen Society's forum on a nuclear-free zone. Also using the opportunity to offer comments were Katarina Brodin, deputy department head in Sweden's Foreign Affairs Ministry, and Sergei Zhuravljov, deputy director of the second European division in the Soviet Union's Foreign Affairs Ministry.

In his introduction Korhonen, who recently became an assistant to Prime Minister Harri Holkeri, sought reasons for the change in mood. "There may be many reasons for the change in the climate of discussion in the Nordic countries. One of them is certainly the constant threat of nuclear weapons. Especially in the Nordic countries, nuclear weapons are generally viewed as the greatest menace to Europe and the entire world."

Korhonen also found reasons in the internal developments of the Soviet Union and other socialist countries.

"As the Soviet threat appears more and more unlikely, the zone is perhaps opposed less fervently by those who have feared the arrangement would somehow weaken the Western defense."

#### **The Proposal Lives**

In his introduction Korhonen rejected claimsthat the Kekkonen proposal was dead. "Kekkonen's proposal lives. A zone free of nuclear weapons in the Nordic countries is still being discussed. During the last few years, the five Nordic ministries of foreign affairs have jointly studied whether there is a basis for a common arrangements," said Korhonen, arguing for the proposals' viability.

The proposal has remained timely, in Korhonen's opinion, even though weapons technology has advanced in 25 years. The starting point of the proposal was political. In the dizzy whirl of global politics, Kekkonen believed, the Nordic countries should have taken matters into their own hands.

Korhonen pointed out that the Nordic countries have remained free of nuclear weapons, but at the time the proposal was made, the absence of nuclear weapons in Finland was not something one could take for granted.

"The President refused to view his country as a mere piece of helpless driftwood in the stream of global events or as the target of decisions made by superpower bigwigs. Interpreting its neutrality policy, he reserved for Finland the right to decide whether under any circumstances nuclear weapons could be deployed on Finnish soil."

#### **Ligachev's Promise Fulfilled**

In their speeches, the representatives of neighboring countries also testified to the timeliness of Kekkonen's proposal. Katarina Brodin explained the attitude of Swedish politicians toward the proposal. Brodin pointed out that in the early 1960's Swedes discussed whether they should procure their own nuclear weapons.

Sergei Zhuravljov presented the disarmament measures taken by the Soviet Union, measures which CPSU No 2 man Ligachev spoke about for the first time during his visit to Finland in November 1986.

The Soviet speaker objected to the fact that the dismantlement of missiles promised by Ligachev on the Kola Peninsula was at one time belittled. It was then suspected that the Soviet Union, under the banner of disarmament, would exchange obsolete SS-4 missiles for new SS-20 missiles. Zhuravljov said that at present there is not one SS-20 missile on the Kola Peninsula.

The reduction measures promised by Ligachev in Helsinki have also been implemented in the Leningrad and Baltic areas. The missiles remaining in these areas will be destroyed within a year and a half at the latest.

Zhuravljov criticized some Nordic countries—but not Finland—for undervaluing party leader Mikhail Gorbachev's speech in Murmansk. In his speech, Gorbachev declared his willingness to discuss zone-related problems with everyone.

Zhuravljov estimated that the road to elimination of ballistic missiles from Soviet submarines stationed in the Baltic Sea is clear for practical implementation. Corresponding political decisions are needed next.

The Soviet Union is ready to support Nordic efforts to begin implementing the zone proposal in practice. The most important work must be done by the Nordic peoples, however. Zhuravljov said that the committees working for a nuclear-free zone are welcome to discuss the issues in Moscow.

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## GREECE

### Pre-Ozal Visit Poll Shows Only Minority Approval

35210107a Athens *ELEVTHEROTYPIA* in Greek  
23 May 88 p 18

[Article by Viktor Netas]

[Text] According to a poll conducted in Attiki in the beginning of May, the Greek people maintained a guarded view of the Davos policy. Only 38.22 percent feel that the Davos policy is necessary and the Ozal visit to Athens useful.

These statistics acquire special meaning because of today's visit to Athens for talks by Turkish Minister of Foreign Affairs Mesut Yilmaz because they reveal the atmosphere still prevailing in Greek public opinion due to the continuing occupation of Cyprus and the constant violations of Greek air space by Turkish aircraft.

A 38.22 percent of the residents of Attiki feel that the Davos policy is needed and the visit to Athens of Turkish Prime Minister Turgut Ozal useful.

A 29.38 percent considers the visit as a provocation given the fact that half of Cyprus continues to be occupied and our air space is violated on a daily basis, while 26.48 percent maintains that this meeting between the two prime ministers should also have taken place in a third neutral country. A 5.9 percent did not answer the question.

The above statistics stem from a poll conducted by the Dimel firm in 900 households of Attiki on 10-13 May 1988.

The question posed by the Dimel pollsters in personal interviews was:

"A planned official visit by Turkish Prime Minister Ozal to Athens is scheduled for next month. Which of the following views express your feelings most?"

The answers given are broken down as follows:

1. I do not know; I do not answer: 5.9 percent (9.83 of those voting for PASOK in 1985, 1.79 percent voting for ND, 4.41 percent for the KKE and 7.14 percent for the KKE (Int.)).

2. The Davos policy is necessary for our country. Also, the visit coming in the context of dialogue can be useful: 38.22 percent (44.51 percent of those voting for PASOK in 1985, 37.5 percent for ND, 20.59 percent for the KKE and 35.71 percent for the KKE (Int.)).

3. It is a provocation for the Turkish prime minister to come when half of Cyprus is occupied and our air space in the Aegean is violated on a daily basis: 29.38 percent (20.23 percent of those voting for PASOK in 1985, 31.25 percent for ND, 55.88 percent for the KKE and 21.43 percent for the KKE (Int.)).

4. This meeting too should have been held in a neutral third country: 26.48 percent (25.43 percent of those voting for PASOK in 1985, 29.46 percent for ND, 19.12 percent for the KKE and 35.71 percent for the KKE (Int.)).

It is characteristic that in certain categories of persons questioned more who were in favor of the Davos meeting were those voting for ND in 1985, as shown as follows:

1. In the 40-54 age bracket an overall 43.19 percent (PASOK 34.04 percent and ND 51.92 percent).

2. Women as a whole 36.68 percent (PASOK 40.52 percent and ND 42.65 percent).

3. In the 18-29 age bracket an overall 37.21 percent (PASOK 39.39 percent and ND 42.86 percent).

However, the same is not true in the 30-39 age group where as a whole those in favor of Davos was 29.84 percent (PASOK 45.28 percent and ND 17.39 percent).

Analytically-speaking, the statistics are given in the table at the end of this article.

### How the Poll Was Conducted

The poll was conducted in 900 households in Attiki on 10-13 May 1988 by Dimel firm men and women pollsters using the personal interview method.

The makeup of the questions, anonymity maintained in interviews and the method followed assure trustworthiness in the poll.



	6.	7.	8.	9.	10.
	ΣΥΝ.	ΠΑΣΟΚ	ΝΔ	ΚΚΕ	ΚΚΕεσ.
	ανηγ.	'85	'85	'85	'85
5. ΓΕΝΙΚΟ					
1. Δεν ξέρω/Δεν απαντώ( )	590	983	179	441	714
2. Η πολιτική του Νταβός είναι αναγκαία για τη χώρα μας. Και η επίσκεψη στο πλαίσιο του διαλόγου μπορεί να είναι χρήσιμη.	3622	4451	3750	2059	3571
3. Είναι πρόκληση να έρχεται ο τούρκος πρωθυπουργός στην Αθήνα όταν υπάρχει η κατοχή της μισής Κύπρου και καθημερινά περαιριάζεται ο εναέριος χώρος μας στο Αιγαίο.	2936	2023	3125	5586	2143
4. Και αυτή η συνάντηση έπρεπε να καθορισθεί σε ουδέτερο έδαφος τρίτης χώρας.	2648	2543	2946	1912	3571
11. ΕΡΓΑΖΟΜΕΝΟΙ	ΣΥΝ.	ΠΑΣΟΚ	ΝΔ	ΚΚΕ	ΚΚΕεσ.
	ανηγ.	'85	'85	'85	'85
1. Δεν ξέρω( )	585	610	526	500	1250
2. Η πολιτική του Νταβός( )	3845	4512	3684	2500	2500
3. Είναι πρόκληση( )	3025	2439	2807	6000	1250
4. Σε τρίτη χώρα( )	2543	2439	2982	1000	5000
12. ΓΥΝΑΙΚΕΣ	ΣΥΝ.	ΠΑΣΟΚ	ΝΔ	ΚΚΕ	ΚΚΕεσ.
	ανηγ.	'85	'85	'85	'85
1. Δεν ξέρω( )	732	1327	147	645	000
2. Η πολιτική του Νταβός( )	3668	4082	4265	645	3750
3. Είναι πρόκληση( )	2669	1735	2647	6129	1250
4. Σε τρίτη χώρα( )	2929	2857	2941	2581	5000
13. 18-29 ΕΤΩΝ	ΣΥΝ.	ΠΑΣΟΚ	ΝΔ	ΚΚΕ	ΚΚΕεσ.
	ανηγ.	'85	'85	'85	'85
1. Δεν ξέρω( )	636	303	714	1667	000
2. Η πολιτική του Νταβός( )	3721	3939	4286	1667	2857
3. Είναι πρόκληση( )	3156	2424	3571	4444	2857
4. Σε τρίτη χώρα( )	2485	3333	1429	2222	4286
14. 55 ΕΤΩΝ ΚΑΙ ΑΝΩ	ΣΥΝ.	ΠΑΣΟΚ	ΝΔ	ΚΚΕ	ΚΚΕεσ.
	ανηγ.	'85	'85	'85	'85
1. Δεν ξέρω( )	361	816	000	000	000
2. Η πολιτική του Νταβός( )	4212	5918	3000	1875	5000
3. Είναι πρόκληση( )	3023	1429	4000	6250	000
4. Σε τρίτη χώρα( )	2402	1837	3000	1875	5000
15. 30-39 ΕΤΩΝ	ΣΥΝ.	ΠΑΣΟΚ	ΝΔ	ΚΚΕ	ΚΚΕεσ.
	ανηγ.	'85	'85	'85	'85
1. Δεν ξέρω( )	675	943	435	000	2500
2. Η πολιτική του Νταβός( )	2984	4528	1739	1600	2500
3. Είναι πρόκληση( )	3385	2075	3478	7600	2500
4. Σε τρίτη χώρα( )	2954	2453	4348	800	2500
16. 40-54 ΕΤΩΝ	ΣΥΝ.	ΠΑΣΟΚ	ΝΔ	ΚΚΕ	ΚΚΕεσ.
	ανηγ.	'85	'85	'85	'85
1. Δεν ξέρω( )	807	1489	385	000	000
2. Η πολιτική του Νταβός( )	4319	3404	5192	3333	...
3. Είναι πρόκληση( )	2231	2340	1923	3333	000
4. Σε τρίτη χώρα( )	2641	2766	2500	3333	000

Key:

1. I do not know; I do not answer.
2. The Davos policy is necessary for our country. Also, the visit in the context of dialogue can be useful.
3. It is a provocation for the Turkish prime minister to come when half of Cyprus is occupied and our space is violated daily.
4. This meeting too should have taken place in a neutral third country.
5. General
6. Total
7. PASOK'85
8. ND'85
9. KKE'85
10. KKE (Int.)'85
11. Workers
12. Women
13. 18-29 age group
14. 55 and older age group
15. 30-39 age group
16. 40-54 age group

The selection of the sample was made at random with scientific and statistical criteria so that there would be proportional representation by sex, age group, etc. According to Dimel, the social and demographic data to a large extent mirror the corresponding characteristics of the population at large.

The makeup of the sample by sex was: men 47.8 percent and women 52.2 percent.

The makeup of the sample by age group was: 18-29 age group 31.5 percent; 30-39 age group 25.7 percent; 40-54 age group 23.8 percent; and 55 and over age group 19 percent.

5671/9604

### **Giorgos Papandreou's Behind-the-Scenes Ambitions**

35210107c Athens EMBISTEVTIKO GRAMMA in Greek 1 Jun 88 p 2

[Text] The meddlesome and behind-the-scenes ambitions of Mr Giorgos Papandreou, who is being criticized for having launched, under his family's cover, "brazen and factional politics," are provoking more and more opposition. Mr Giorgos Papandreou is being criticized for having formed a front with Mr Kostas Laliotis and Mr Athanasios Tsouras and for now trying to concentrate the entire party authority in his hands and at the same time for undertaking, as new minister, important responsibilities and thus setting himself up as "the second in order."

The charges against Mr G. Papandreou have begun to see the light of day of publicity even in pro-government publications—that criticize him for his close relations with the "Koskotas group"—and to be discussed widely in the government and in PASOK because of the behind-the-scenes polemics and undermining activities in which the "Giorgos Papandreou group" is engaged. These same party and government officials feel that they must shortly retaliate with revelations about "the kind of people who have rallied around little Giorgos" and the protection he has offered people who have been involved in various scandals.

5671/9604

### **Prospects of KKE-EAR Cooperation Discussed**

35210107b Athens EMBISTEVTIKO GRAMMA in Greek 1 Jun 88 pp 11, 12

[Article by "Th.S.S."]

[Text] The meeting between Messrs Florakis and Kyrkos and the dialogue between the KKE and EAR [Greek Left] that has already begun is for the first time opening prospects for electoral cooperation between the two most important parties of the Left. The discussion about the possibilities of creating an electoral coalition that would include the most important parties of the Left will surely occupy us in the months to come. Today, we will put forth the essential parameters for such a coalition. In other words, we will examine what kind of electoral results such cooperation might have and what its political characteristics would be.

#### **A Profile of the Two Parties**

The two most important parties of the Left have political profiles that are characterized by complementarity.

The KKE is organizationally all-powerful, it has great influence among the masses (social clubs, trade unions, universities, local self-administration) and a strong electoral base among the workers, in big urban centers and traditional leftist areas, such as Thessalia, Ipeiros, the

Ionian Islands, Lesvos, etc. EAR, which is organizationally weak (especially after the loss of the KKE (Int. AA [Renewed Left])), has other influences that the KKE does not have. It has ideological positions that are more realistic and modern than the KKE's, as well a leader with broader perspectives. It has proportionally greater prestige (more than any other party) among intellectuals and the mass media. It also has strong ecological interests and the capability of penetrating the area of the so-called "inaccessible Left." This is an area where the KKE, with its strict organizational base, its authoritarian ideology and its dependence on the Soviet Union, is being faced with great suspicions.

#### **Electoral Prospects of a Coalition**

The overall broader influence of the traditional Left on the electorate, according to polls, fluctuates between 16 and 18 percent. In 1985, its votes, however, came to exactly 12 percent. A coalition of the major Left, that is the KKE, EAR and small parties of the Left, would have the capability, taking into account PASOK's current situation, to get close to what the traditional Left obtained in the 1984 Euro-elections, namely 15.4 percent. However, by merely holding on to those percentages the two biggest leftist parties (KKE and KKE (Int.)) received in the 1985 elections, the major Left would win, with the prevailing electoral law, six seats more than it has today. So, there are clearly obvious electoral gains for both parties if there would be electoral cooperation.

#### **Forces That Act on Behalf of and Against Electoral Cooperation**

Traditional suspicions and personal antagonisms on a cadre level between the KKE and the rest of the Left are two very big obstacles to electoral cooperation, just as those big obstacles that PASOK will impose: (a) with the electoral law; (b) with an attempt to vilify leftist personalities; (c) with a development of relations with Moscow and the pacifist profile of Mr Papandreou; and (d) with directed publications to news media under its control.

There are, nevertheless, forces that prompt the two parties to cooperate. These are the following: (a) deep antipathy toward PASOK prevailing in a large segment of the newer cadre force of both parties; (b) the removal of the more basic ideological differences between the two parties with the predominance of the Gorbachev trend in the USSR; (c) the inability of the two parties to win what they hoped for from damage done to PASOK; (d) the Left's general ideological retreat in Greece and in Europe; and (e) the desire and pressure existing for electoral cooperation in the Left's electoral grass roots.

#### **The Big Fish Eats the Little One**

Given the fact that for years now the KKE has desired coalescence, the biggest question arising is how great the EAR would consider the danger of being "topped" through electoral collaboration with the KKE. Historical experience from the time of the United Left in 1974 is in principle so negative that with this factor alone we

should rule out any electoral cooperation. However, much has changed since then:

1. The two parties address themselves to people who are different from a social and ideological aspect. The KKE can no longer get votes (today or in the future) from the EAR nor can the EAR get votes from the KKE.

2. The Left pie has gotten much smaller and must be remade. For many years now the two parties fought for a given electoral "pie" in the struggle for which the dogmatists had every interest and capability if "topping" those who were not. Today, the need existing for remaking the pie removes the political value of the so-called "topping." Sincere cooperation of the Left consequently results as a long-term need for both parties' survival.

#### Conclusion

It is still too early for conclusions since the natural and other obstacles existing for electoral cooperation are indeed enormous. The only thing we can say is that while a few months ago the possibilities for such a development were about zero, today they are not only merely real but worthy of analysis. A fact that displeases the government party deeply and rightly.

5671/9604

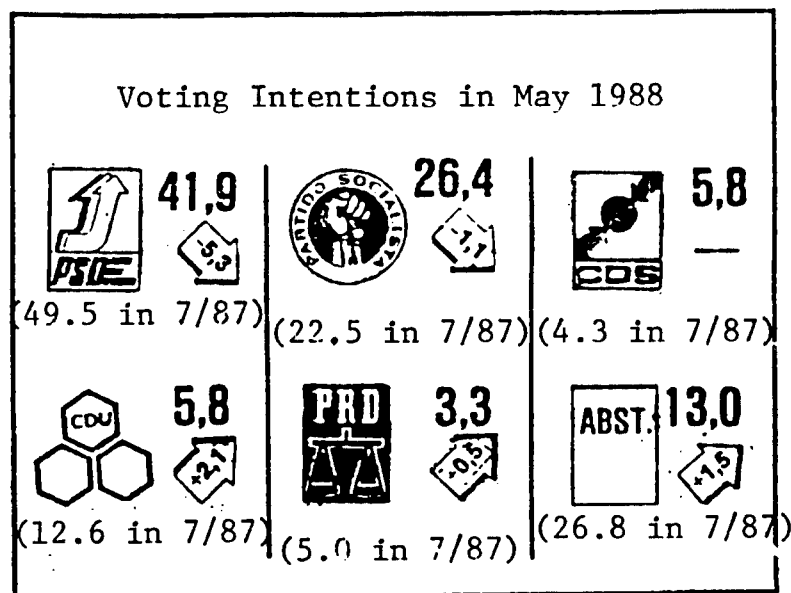
## PORTUGAL

### May Poll on Popularity of Politicians, Government

35420090 Lisbon EXPRESSO in Portuguese  
28 May 88 p 6

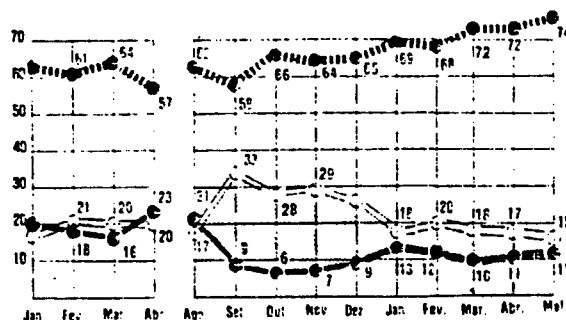
[Text] Confirming a trend that has appeared over the past few months, the May poll of the EXPRESSO/Euroxpansao panel reveals that the image of politicians in general—with the exception of the president of the republic—has continued to erode.

Not only are Cavaco Silva and his government continuing to show a gradual decline in their levels of popularity (a decline that has been continuing for many months), but also the opposition leaders are showing very low percentages. And the leader of the PS, Vitor Constancio, even shows a sharp drop of 8 points, favorable opinion of him having fallen from 26 percent to 18 percent—putting it below the percentage of unfavorable opinion (21 percent). The result is that none of the four leaders of the opposition parties even has a positive balance. And the total of the percentages favorable to Constancio, Freitas, Herminio, and Cunhal (40 percent) is below that favorable to Cavaco (41 percent).



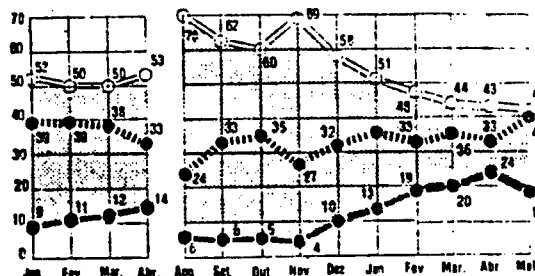
The PSD is again down to the vicinity of 42 percent, which is the minimum needed for an absolute majority in the Assembly of the Republic, but the PS is also down, and the other parties have not benefited much.

### Assembly of the Republic



With an extremely high percentage of indifferent opinion, the Assembly of the Republic has managed to hang on to a small 4-point balance of positive opinion.

### Prime Minister



The prime minister's popularity has slipped again as part of a moderate but permanently negative trend. He may soon drop into the 30-percent zone.

But that disillusionment with the main political figures, which seems to be spreading among Portuguese voters, is also affecting the organs of sovereignty: the government and Parliament.

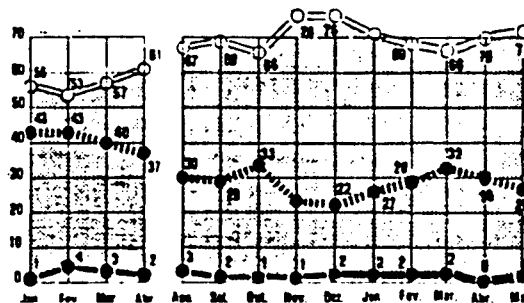
#### Voter Discontent

The fact is that, as has been noted in recent months, the losses suffered by the government and the PSD have not reverted to the benefit of the opposition. While the Social Democrats are already approaching the minimum needed to win another absolute majority in Parliament (close to 43 percent), the PS does not seem capable of approaching 30 percent, and the other parties are

remaining in an area of limited influence. That discontent on the part of the voters is reflected, incidentally, in the high percentage of voting intentions (nearly 17 percent) falling into the category of "blank and void ballots and small parties" (which normally hovers around 5 percent).

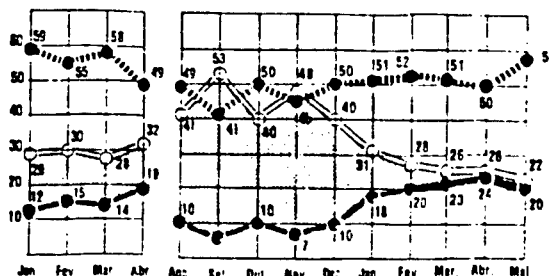
The so-so image of the government—the worst ever recorded for either of Cavaco Silva's two governments—and of Parliament also underscores the displeasure felt by the Portuguese with the main actors in national life. And while the conflicts in the areas of health, labor laws, wage negotiations, or the new taxes are having an obvious public effect on the popularity of the prime minister and the government, the opposition's image seems to

### President of the Republic



Mario Soares is displaying notable stability with almost imperceptible swings. Unfavorable opinion is almost nil, and he is up 1 point this month.

### Government



Very good/good    
 So-so    
 Poor/very poor    
 [Gray area] Positive balance

Although retaining its slim positive balance of 2 percent, the government is down to its worst level (22 percent). Its image is growing less and less satisfactory.

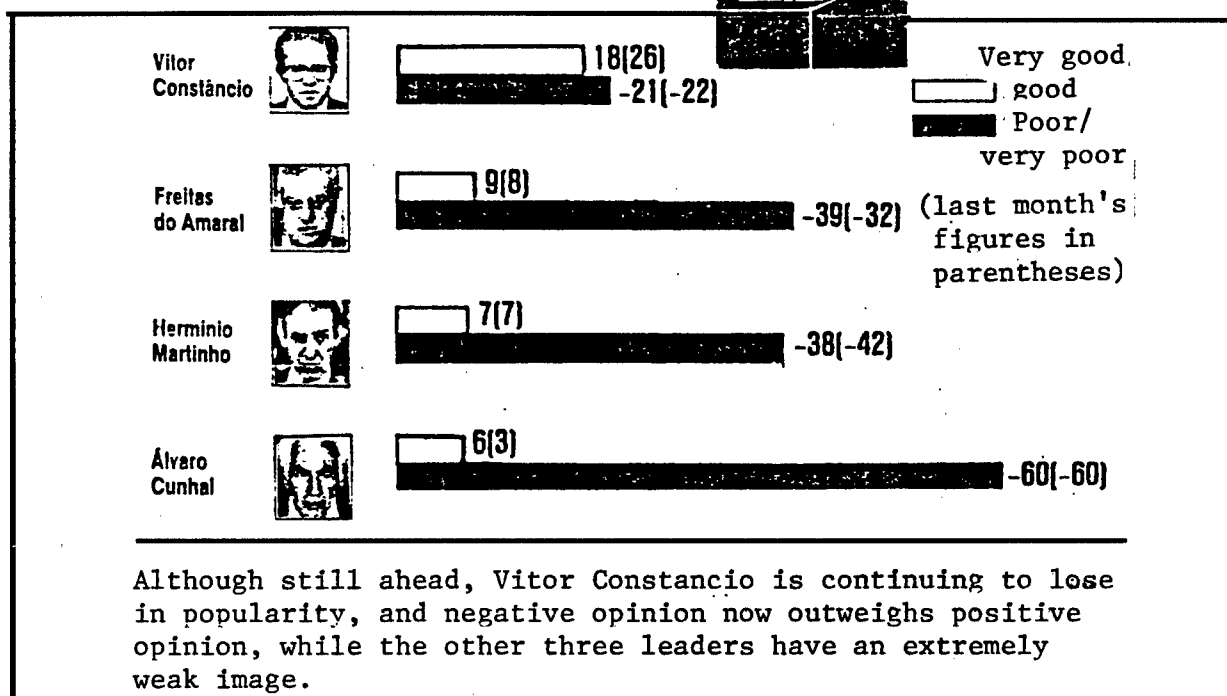
present a weaker image as a result of its own inability to present itself as an alternative.

### Soares Stands Out

Standing out in this panorama of unencouraging results for the political class is the figure of Mario Soares. The president has passed through the first 2 years of his term of office practically unscathed by the most difficult problems he has had to solve, and recently, he has broadened and seems to have solidly consolidated his

popularity. Favorable opinion of Soares extends to voters in all the parties, and critical voices are almost nonexistent. That favorable balance has no parallel among the political leaders of any party.

Technical Data: Poll conducted from 22 to 24 May. The universe consists of mainland voters. The sample, which varies between 500 and 550 individuals and comprises about 270 sampling points, is obtained from a file in which the universe has been stratified on the basis of region, place of residence, sex, age, level of education, and voting option. Interviews are conducted personally



by telephone. Confidence interval: maximum semirange, at 95-percent probability, is from 4 to 4.4 percent. Euroexpansao is responsible for conducting the poll, and EXPRESSO is responsible for analyzing the results.

11798

### Poll Shows Government Popularity Lower Among Poorer Classes

35420091a Lisbon SEMANARIO in Portuguese  
9 Jun 88 p 8

[Article by Maria Joao Vieira; first paragraph is SEMANARIO introduction]

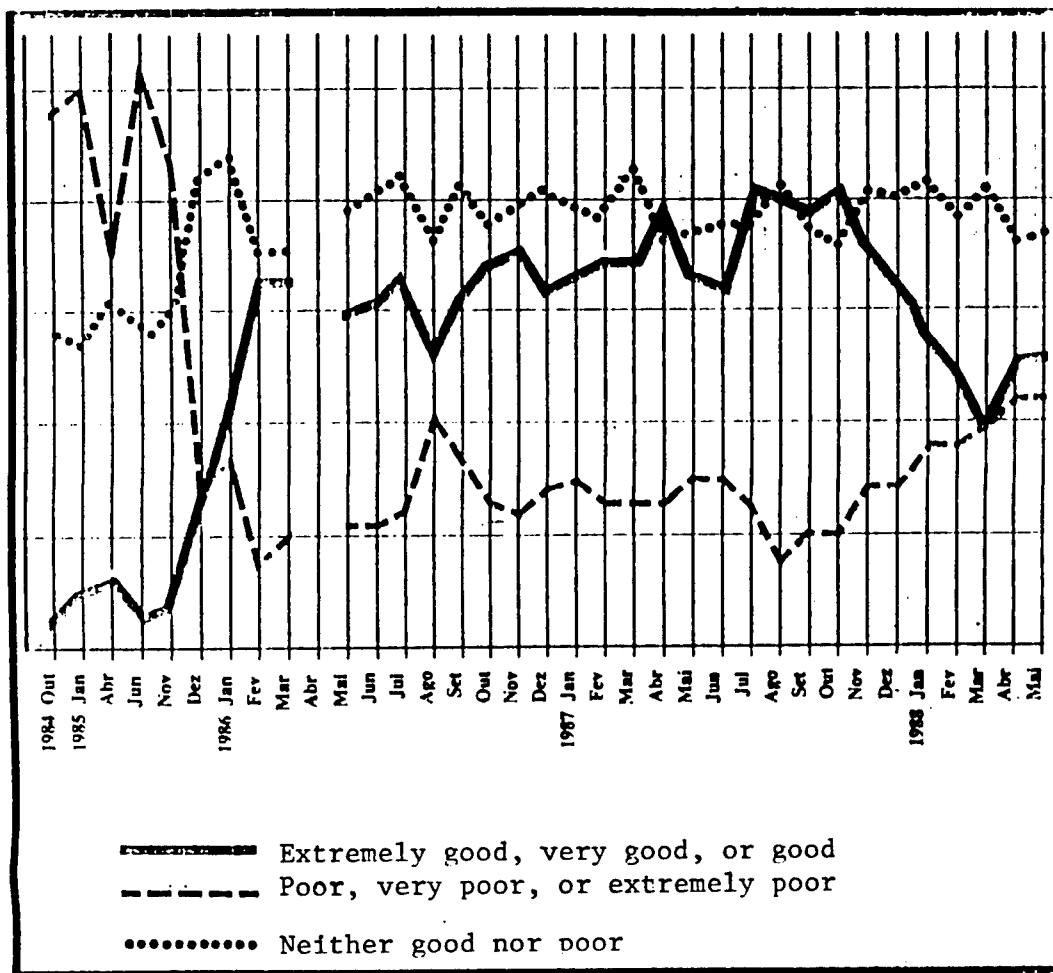
[Text] Cavaco Silva's popularity is still far higher than that of his government. The prime minister and his cabinet suffered their greatest losses among the poor in the the Greater Porto region. The rich are satisfied.

The government's popularity is up slightly. There are fewer people with no opinion on the performance of Cavaco Silva's cabinet. And those thinking that the government's performance is good have increased from 20.4 percent to 23.7 percent. But the number feeling that the government's performance is neither good nor bad is also up, and only those who answered a month ago that the government was performing poorly have changed their opinion slightly, causing that percentage to drop. It is in the youngest age group (from 15 to 24 years of age)

that the government's image has improved the most, while among those at the other extreme (over 54 years of age), the reaction is unfavorable and the government is losing points. The highest socioeconomic class is also helping the government regain lost ground. As recently as 2 months ago, it was the poor who pronounced themselves most satisfied with the way the country was being governed. One month ago, the rich were showing a slight tendency to reverse the situation, and this month, it is the rich who are most receptive to the government's performance (43.5 percent of the rich now say that the government is performing well. A month ago, only 26.2 percent of those in that socioeconomic class said they were satisfied).

In Greater Lisbon, the government's popularity is up at the expense of those who said a month ago that the government was governing poorly. But in Porto, its popularity is down, thus swelling the number saying they are indifferent to the government's performance. Its popularity is up along the coast and down in the northern interior. Its popularity is also down in the southern interior, and the indifferent now constitute the largest group.

It is in the most densely populated urban centers (over 500,000 inhabitants) that the government's popularity has recovered the most. A month ago, only 8.4 percent of the inhabitants of those areas said that the government was performing well. But now 20.7 percent of those polled give that answer.



#### Rich Support Cavaco

The prime minister continues to be more popular than the government. There are fewer people with no opinion on Cavaco Silva's performance, and there is still no major change in the percentage saying they disapprove of the way the prime minister is heading up the government. As is true of the government, Cavaco Silva's popularity is up in Lisbon and down in Porto. The prime minister has "fallen" a few points in the southern interior, and, unlike the situation with his government, is up slightly in the northern interior. There is a clear rise in his popularity along the coast.

Once again, the older voters (over 54 years of age) are skeptical of Cavaco Silva's performance, and the prime minister's popularity, like that of the government, is down among them. The other age groups have more confidence in the head of the government than they do in the government, and here the rise in popularity is more significant. The rich are definitely satisfied with Cavaco Silva, and this month, 61.2 percent say they approve of his performance, whereas only 39.3 percent of the rich gave that answer a month ago. And it is among the poor

that the prime minister is being penalized. The poor are showing themselves to be quite dissatisfied. The interviews making up this poll were conducted between 6 and 27 May, either before or at the same time as the announcement of the failure of the labor package and the first reactions to the tax reform proposed by the government.

#### Technical Data

Universe: Individuals over 15 years of age residing in mainland Portugal in localities of 10,000 or more inhabitants.

Sample: Number of individuals: 977.

Sampling: Random route method for selecting homes and quota method for selecting the individual to be interviewed. The sample has nonproportional imputation, being weighted during the data processing phase to ensure the representativeness of the universe in question.

Sampling points: There were 140 sampling points (localities).

Opinion of This Government's Performance Over the Past 4 or 5 Months

		Sex		Age					Class				Region				Place of residence						
		Total	M	F	15-24	25-34	35-44	45-54	Over 54	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	2-10M	10-100M	100-500M	Over 500M
Answer																							
Extremely good		.1	—	.1	—	—	—	.4	—	.2	—	—	—	—	—	—	—	.5	.1	—	—	—	—
Very good		1.4	2.4	.6	2.0	2.0	.6	1.0	1.3	3.8	1.8	.9	—	.8	2.9	1.4	1.8	.8	1.1	1.6	.6	8.6	2.1
Good		23.7	26.3	21.3	29.6	25.7	20.3	28.9	16.7	43.5	21.5	20.7	16.1	22.2	24.5	21.1	32.0	22.8	24.8	27.5	17.7	31.0	20.7
Indifferent		37.0	35.5	38.3	31.8	46.4	48.9	33.6	30.4	21.1	45.0	42.3	28.2	33.3	44.9	37.7	38.7	32.7	37.8	41.2	35.5	34.3	30.0
Poor		17.9	20.3	15.8	17.8	16.7	17.8	21.1	17.0	11.7	19.0	17.2	23.0	21.4	15.2	20.6	10.0	15.8	17.1	12.7	22.5	13.3	23.0
Very poor		2.9	3.3	2.5	1.3	.5	2.8	4.4	4.8	—	.8	5.8	2.5	3.6	3.5	2.6	4.0	.4	2.2	3.0	4.0	7.5	2.6
Extremely poor		2.1	1.4	2.6	1.3	2.3	1.3	1.3	3.3	2.4	2.0	1.1	3.7	1.9	2.0	2.7	1.3	1.2	1.5	1.8	3.7	1.9	2.2
Don't know		9.9	7.5	12.1	12.9	2.6	5.7	6.7	16.4	7.6	6.8	8.3	19.5	8.4	3.9	9.8	9.5	18.7	10.8	11.3	7.2	2.6	11.4
No answer		5.1	3.4	6.6	3.3	3.8	2.6	2.7	10.1	9.8	2.9	3.7	7.0	8.4	3.1	4.0	2.8	7.0	4.6	1.0	8.9	.8	8.1

Key: 1. Upper; 2. Upper middle; 3. Lower middle; 4. Lower; 5. Greater Lisbon; 6. Greater Porto; 7. Coast; 8. Northern interior; 9. Southern interior; 10. Up to 2,000 population

Opinion of Cavaco Silva's Performance as Prime Minister

	Total	Region				Place of residence				Sex		Age				Class							
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	M	F	15-24	25-34	35-44	45-54	Over 54	(11)	(12)	(13)	(14)	
Answer																							
Approve	41.5	35.6	47.9	39.0	50.4	42.9	43.7	50.1	30.8	55.1	32.1	43.3	39.8	44.8	44.5	41.3	43.5	35.9	61.2	42.3	38.2	30.2	
Disapprove	26.5	30.2	29.3	28.8	19.4	19.4	24.6	21.7	29.9	34.5	34.5	31.8	21.7	22.6	29.2	29.0	27.1	26.2	10.0	27.7	31.0	29.6	
Don't know	32.0	34.2	22.7	32.2	30.3	37.7	31.7	28.2	39.4	10.4	33.4	24.9	38.5	32.6	26.4	29.7	29.4	37.9	28.8	30.0	30.7	10.2	
no answer																							

Key: 1. Greater Lisbon; 2. Greater Porto; 3. Coast; 4. Northern interior; 5. Southern interior; 6. Under 2,000 inhabitants; 7. 2,000-10,000; 8. 10,000-100,000; 9. 100,000-500,000; 10. Over 500,000; 11. Upper; 12. Upper middle; 13. Lower middle; 14. Lower



**Interviewing Technique:** Direct personal interviews using a structured questionnaire at the residence of each respondent.

**Field Work:** The interviews were conducted between 6 and 27 May 1988.

**Responsible Institute:** The poll was conducted by NORMA, Inc., the Portuguese member of Gallup International.

11798

### **Reasons for PSD Popularity Loss Without PS Popularity Rise**

35420095a *Lisbon EXPRESSO in Portuguese*  
4 Jun 88 p 65-R

[Commentary by Diogo Pires Aurelio]

[Text] With a persistence that seems enervating to many, the public opinion polls have been showing for several months now that although the level of this administration's popularity is in fact declining, this does not mean that the popularity of the various opposition groups is, therefore, increasing.

The reasons cited for this apparent paradox are, as a general rule, attributed to the opposition parties themselves. On the one hand, the PSD's bleeding is still that of a healthy body; it matters little whether it loses some ground if everything else around it seems to be declining too and if, therefore, there is not even the shadow of an alternative. On the other hand, recriminations abound among those from whom one would expect to hear the magic words on which such an alternative would be based, and the more they blame each other precisely because no alternative is emerging, the more elusive the alternative becomes. All things considered, the predominant conviction is that Cavaco Silva reigns uncontested while those in the opposition either wrangle among themselves or do not inspire sufficient confidence to incorporate the already significant number of those who are unenthusiastic about the government's performance.

First of all, let us point out that this view rests on a questionable assumption, i.e., that the electorate is always in perfect alignment, so that desertions from the government forces should always be accompanied by an equivalent number of automatic transfers to the opposition forces. What really happens is that for the majority of voters—that majority which does not switch sides for particularly ideological reasons—the choice of a government is only a hypothetical problem. And just as being satisfied with what the executive branch has done so far may not translate into a vote for the PSD in the next elections, so regretting having voted for Cavaco Silva may not guarantee that one would vote against him, or even abstain, on a future occasion. The era for making choices

will only begin a little later. Until then, whatever happens only contributes another element to the individual calculation that results in a vote.

Nothing more obvious, you would say. Except if this is taken into account, one cannot be surprised—as so many have been—that someone like Vitor Constancio would emphasize the small percentage of stalwarts who are still solidly behind the government, without mentioning that those same polls show the Socialist Party still afflicted with prolonged paralysis. It is not, after all, insignificant that the government's popularity quotient is falling, even though that of the opposition remains unchanged or even accompany the PSD decline. What the PS leader wants to point out—as does the CDS leader, and absolutely correctly—is that as doubts or discontent accumulate within the electorate, the voters tend to return to their pre-19 July status, which means they are once again receptive to reconsidering all the potential choices. Of course, the PSD may still be able to win them back between now and the elections. But it can't count on them, and that's where the difference lies.

Clearly, our saying this doesn't mean we believe that everything is up in the air and the parties are now all on an equal footing, to a greater extent than they theoretically already were, as regards election prospects. Obviously, the government will become progressively more cautious as the various upcoming occasions for balloting approach, just as it is clear that the PSD will continue to stimulate reorientations, especially among the elites. This has always happened to a party in power that has a good chance of remaining there for an as yet undetermined length of time. And we are not even considering the disadvantages that flow to the opposition parties because of the rules that are in effect—such as, for example, the lower level of government-appropriated funds.

However, the administration also has certain factors weighing against it: first, that it is by definition more exposed to judgment and it is not clear whether it has a sufficiently well-protected and cohesive team to enable it to deal with the disillusionments that may arise when the honeymoon period—which, despite everything, has lasted all year—comes to an end. Secondly, the government will have to demonstrate that the image of stability and effectiveness that has made it so popular was not created by mere superficial rhetoric and that both those virtues are present in its actions. This began to be less evident when situations arose such as the long drawn-out crisis that pitted the Ministry of Health against the medical profession, the process of amending the labor laws, and the constitutional revision. Ranking third, but not thereby less decisive a factor, is the need to respond to an electorate that expects it to produce radical changes and innumerable improvements.

For all these tasks, the majority has help available in the form of the all-pervasive tentacles of the State—which its ideology may be attacking more vehemently than is in its

best interests to do. It is odd, by the way, to see how the resistance offered for so many years by the Left—if indeed it has entirely ceased—to the reduction of the limits of that same State can work against it when it is out of power. The realm of social communications is a perfect example of this, although others just as well known could be mentioned. The debate that has been going on in that area has almost always centered on the criteria for personnel selection, and very few people appear to or are willing to realize that such criteria contain elements of subjectivity. Which of the parties has not proclaimed the impartiality and honesty of those whom it appointed to positions of responsibility? Which of them has not, after all, tried to use the media, especially the government media, to its own advantage? The results are in plain view and certainly are not unrelated to the difficulties the opposition is having in trying to rally around it those who are dissatisfied with the majority. It is indeed strange that, at times, it gives the impression that it still believes in the fairness of that communications model which, dividing the opportunities on the basis of the results of the previous elections, will naturally tend to penalize those who lost and will always be more responsive to the apparatus of the State, in which it is a minority, that of society, where it may even cease to exist. But that is a topic for another day.

12830

#### **Fate of Original 'New Hope' Tendency Members**

35420095b Lisbon EXPRESSO in Portuguese  
4 Jun 88 p 3

[Commentary by Jose Antonio Saraiva]

[Text] After the departure of Mota Pinto, when the PSD boat was adrift and confusion at its greatest, a group of four young politicians decided to band together and—without the support of any big shot—take a position at the party Congress as regards the future of the party.

The motion they endorsed went by the name of "New Hope."

But the group of signers of the document would be known by another name: "The Lisbon Group." It was composed of Marcelo Rebelo de Sousa, Pedro Santana Lopes, Jose Miguel Judice and Jose Manuel Durao Barroso.

In addition to their own clout, the group held an important trump card: they dominated the key regional unit of the PSD, the famous "Lisbon District Office" of which Santana Lopes was the strongman.

Rebelo de Sousa headed the group. He benefited from having served several years as a political analyst, from his many contacts in various circles, and also from the experience he had gained as a state secretary and minister in the Balsemao administration.

Judice, in the mold of Rebelo de Sousa, was also a highly regarded analyst.

Durao Barroso, the least well-known of the four to the general public, had an unusual background in that he had come from the extreme Left. He demonstrated a special proclivity and talent for behind-the-scenes maneuvers.

As early as the convention at Figueira da Foz, the group exhibited signs of disunity; while some were disposed to support Cavaco Silva, others preferred to play a waiting game.

Some time later, the split was confirmed: when Cavaco Silva announced the formation of the Tenth Government, Santana Lopes and Durao Barroso were part of its cast of characters, even assuming—it was said—influential positions close to the prime minister. Rebelo de Sousa and Judice were left out—their position becoming more and more distant.

The group definitely had dissolved, although there were still those who hinted that its spirit was still alive and was especially wary of the influence that Rebelo de Sousa could bring to play with his former associates.

For one reason or another, when the Eleventh Government took office everything was back at square one: Pedro Santana Lopes (for his own reasons or someone's else's behest), left for a golden exile in Strasbourg and Durao Barroso was "deported" to the area of African relations.

Once again, the four men of the Lisbon Group found themselves in virtually identical situations: having neither power nor a direct role in the development of party strategy or government policy.

It would have been reasonable to expect that this would bring them together.

But no.

It was at this point that two of them decided to confront each other openly, by sponsoring two slates that were engaged in a fight to the death to conquer (or reconquer) the Lisbon District Office.

What led them to choose this course?

What led them to go into battle against each other and, moreover, to simultaneously challenge the PSD leader, who would not look kindly on an internal war waged in public view?

What strange force involved them in a struggle that, whatever the outcome, could compromise both their political careers?

Personal rivalries, certainly.

But these, if they explain a lot, do not explain everything.

We have to dig a little deeper.

And there we find two (still) young politicians, with normal ambitions, who had seen the power and the influence they once had escape them in one way or another and for whom the control of the Lisbon District Office now appears as perhaps the only possibility to assert themselves.

They challenge the authority of Cavaco because they want to prove to Cavaco that they have power.

The one who wins tomorrow can tell the PSD head: I won the battle and from now on, you'll have to deal with me.

Pedro Santana Lopes and Jose Miguel Judice want to prove that it is possible to win power within the Social Democratic Party without the backing of the leader of that party—or even while opposing him.

And one of the two will succeed.

12830

#### PCP Internal Difficulties, Succession Discussed

**Vitor Neto Resigns From Central Committee**  
*35420096 Lisbon EXPRESSO in Portuguese*  
*4 Jun 88 pp 1, 24*

[Text] Vitor Cabrita Neto, citing political differences as his reason, resigned this week from the Central Committee of the PCP, of which he has been a member since 1979.

This new episode in the political and leadership crisis the PCP has been experiencing has some aspects, however, which distinguish it from the earlier incidents, specifically those connected with the "group of six" and the Zita Seabra case. In fact, according to sources close to the CC of the PCP, Vitor Neto defended positions at the last Central Committee meeting which were harshly critical of the way in which the PCP leadership has been trying to settle internal problems. Simultaneously, this Communist leader has set himself apart from a number of the political positions adopted and the actions undertaken both by Zita Seabra and the "group of six."

#### Replacement Poses Problems

Vitor Neto, the brother of Joaquim Cabrito Neto, an outstanding Social Democratic militant and the civil governor of the Algarve, has been a member of the PCP for 25 years and a political official since 1974. Until the day he submitted his resignation, he served as the coordinator and political official of the Information and Propaganda Section (SIP) of the PCP, an official post for which someone else will now have to be found.

Filling the post does not look easy, since Vitor Neto has been regarded as one of the leading strategists of the electoral campaigns of the PCP, APU and CDU, and even the author of some of the best ideas which have "made the difference" in the electoral campaigns—the CDU "bee" is one of the examples.

The definition of the tourism policy of the PCP has been linked with his actions, and he is one of the most regular and ardent speakers at the Algarve congresses. And in 1982 he headed the APU slate of candidates for the municipal council in Silves, which is in the hands of that party coalition today.

#### Editorial Provokes Argument

According to other sources in communist circles who were willing to talk with EXPRESSO but insisted on anonymity, "Vitor Neto's decision leads to the presumption that the party apparatus is not so unanimous in its position as it seemed to be." If this is borne out, it would give this episode new political significance.

The SIP of the PCP, which was also consulted by EXPRESSO, confirmed that "a letter of resignation" was received from this "substitute member of the CC," but declined to comment further on the matter.

On the other hand, perceptible nuances can readily be observed in the press reports published and the speeches made by the main Communist leaders in the course of the past month. These sources give assurance that the editorial carried in the 12 May issue of AVANTE!, which urged the need for "revolutionary renewal," was the subject of a discussion at the meeting of the Political Commission of the PCP, at which time Cunhal defended that editorial against various other views.

Later speeches by Octavio Pato, Domingos Abrantes, Edgar Correia and Alvaro Cunhal himself shifted the tone of the public positions toward warnings against the danger of the social democratization of the PCP.

Given these circumstances, it is possible that the resignation of Vitor Neto, which was something of a bombshell in leadership circles, could come to serve as a warning to the militants about the vacillation of the political leadership, such that even the secretary general might find himself overridden by its hard-line nucleus. This framework of uncertainties outlines a more complex picture of the crisis in the PCP than was foreseen by a number of political observers. It is one which only the near future can definitively confirm or deny.

**Cunhal End Seen as Road of No Return**  
*35420096 Lisbon EXPRESSO in Portuguese*  
*10 Jun 88 pp 38R-39R*

[Article by Jose Manuel Saraiva: "The Perplexing Succession Issue"]

[Excerpt]

### Out of Step With Current Circumstances

At the precise moment when a number of political cycles in Portuguese life are ending—the most recent one on 19 June 1987—the leading nucleus of the PCP (established in the 1940's) is seeing its own life cycle coming to an end.

The drastic change in political conditions which stripped the credibility from a proposed coalition between socialists and communists as an immediate government alternative; the imminent change in the legal and constitutional framework defended by the PCP; the accelerated internationalization of the economy within the framework of the EEC—all of these factors are facing the old leadership "with a cruel and anguishing challenge," in the opinion of an noted member of the Central Committee.

In the view of many observers, the Portuguese Communist Party is truly facing a serious crisis in terms of adapting to reality. This fact has, moreover, been mentioned frequently at party meetings by militants who have a view of life and the world which is "infinitely more current than that of the leadership," which is beset, in the ironic opinion of another outstanding leader, by "the joint force of all of the winds of evil." He comments: "It is as difficult today to silence the voices of internal discord as it is to conceal the wave of innovations coming from the East."

Accustomed to the argument of solidarity with the USSR, the communist membership is now faced with the argument of separation. AVANTE!, the official organ of the PCP, has itself almost ignored the extent of the changes which have occurred in Hungary since the departure of Kadar. Once again, the old communist leaders have underestimated the importance of modern mass communications, whose constant bombardments make defensive strategies based on concealment of the facts virtually impossible.

"In the view of the communists who saw Kadar weep during his farewell speech (on television), the shameful silence of AVANTE! does not give rise to confidence, but to anguish and perplexity instead," this same source comments. On the other hand, the resolution on the international situation which was approved at the Central Committee meeting which ousted Zita Seabra seems to be a notable demonstration of the distance which separates the PCP leadership from those from whom the inspiration for "perestroika" came.

### The Secretary General's Successor

A number of communists have been wondering recently about the future of their party. There are, moreover, those who foresee that the PCP, which was recreated more than 40 years ago thanks to the charismatic image

and iron leadership of Alvaro Cunhal, will one day find its identity crisis intensified to an unforeseeable extent. It is being said that "for the time being, no one has any solutions for the future."

Again last week, moreover, a leading member of the Central Committee told EXPRESSO that on the day the laws of life dictate that Cunhal is finished, "the party will be in danger of starting down the path of no return." Unless, this same leader said, "either profound changes come about in terms of the direction which is to be followed, or a renewal platform on which there is a consensus in the political line and leadership sectors is established."

According to our interlocutor, Cunhal is hardly likely to accept an honorific position, like Dolores Ibarruri or Jacques Duclos. In his book "Glass Walls," the communist leader advises against the election of a new secretary general to follow him.

Whenever there is discussion of the succession problem, the statements of the leaders of the PCP reveal problematical contradictions. Some urge the advantages of a collegial solution (such as prevailed after the death of Bento Gonçalves), while others defend maintaining the single post. Still others think the problem should be readily resolved (without, however, being able to say how), while there are a number who think nothing.

When questioned by EXPRESSO, the Central Committee member to whom we have been referring explained that at the present time, nothing about the succession issue is certain, except perhaps the "sense of expectant anguish" felt by the overwhelming majority of the party militants. "They know," this same source added, "that the distance separating Alvaro Cunhal from any one of the other members of the permanent political secretariat—Carlos Costa, Octavio Pato, Domingos Abrantes or Carlos Brito—constitutes an abyss." On the other hand, and perhaps even because this is so, none of the four can achieve "unanimous support or a consensus as a successor to Alvaro Cunhal in the future" within the party. The question thus remains open.

### A Historic Error

The harshest critics say that Cunhal is nonetheless losing ("if, in fact, he has not already definitively lost") the sovereign opportunity to proceed with the renewal of the leading nucleus of the PCP as an unchallenged leader in the final phase of his life. In the opinion of some people, deriving benefit from the favorable conditions he enjoys will not be easy.

"Instead of preparing the ground for the change, Alvaro Cunhal is rallying around him some leaders who, although young, suffer from the same bad habits as the secretary general and the same arrogance as the hard liners," our interlocutor commented. And while doing

this, "he is dismissing those who are most capable, or excluding those who would be in an ideal position to provide a response to the challenges of the modern era," he went on to note.

Zita Seabra and Vitor Neto are the most obvious examples of what has just been said. The former was ousted by the Political Commission at its plenary session on 6 May on charges of associating with circles hostile to the party, while the latter submitted his resignation as a member of the Central Committee, citing political differences, and returned to the status of a base-level militant.

Zita Seabra is recognized as one of the most prestigious figures in the PCP. And this is not simply because she was the first woman to rise, while still very young, to the political leadership level of the party. Despite his departure from the public scene, Vitor Neto is also a "most influential personage within the party apparatus," according to Soeiro Pereira Gomes. As EXPRESSO reported last week, he is regarded as one of the most important strategists in the electoral campaigns of the PCP, APU and CDU, and was the author of some of the best ideas in support of past electoral campaigns.

#### Against Everything and Everyone

"Because of the fact that it chose to wage a battle on all fronts, placing the party in a strong position for laying siege to both its internal and external enemies, the PCP leadership is risking the definitive loss of the mechanisms for producing ideas which it still has," according to our interlocutor. It must even now be recognized that as the crisis has developed, the party has lost the contributions of the most respected experts who supported it in the juridical-constitutional sector—Gomes Canotilho, Vital Moreira, Jorge Leite and Jose Magalhaes. And then, this same source emphasized, "it must be realized that not all of those who have maintained a secretive silence are prepared to collaborate (even in some other sectors) with the present communist leadership."

At a recent meeting of militants, Domingos Abrantes said, and we quote: "There may remain only 50,000 of us, but we will be Communists. Social Democrats, no." In a way, this statement summarizes the complex of thoughts in the minds of the PCP leadership about the problem of renewal. According to noted leaders, this statement may even reveal the true state of mind of the present communist leadership.

"The best cadres may leave, and we may even lose the best members. It does not matter if the party loses half its deputies, but what must not happen is the social democratization of the PCP," this same leader commented to EXPRESSO, ridiculing the thinking of Domingos Abrantes.

Moreover, according to our sources, the secretariat is prepared to carry the case of the "group of six" through to its final consequences. Just as it would not tolerate the

presence of Zita Seabra on the Political Commission, it will sooner or later probably be unwilling to tolerate the presence of the advocates of renewal in the party.

In his Baleizao address, Alvaro Cunhal made his position clear, emphasizing in this connection that the present leadership is "firmly determined to oppose the organization of factions, separate groups and movements, with their own leaders and programs, within the PCP, in such a way as to create, instead of a party in which all are working in the same direction, an organization within which various parties would be opposing one another."

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#### Government's Desired Labor Restructuring Seen as Long-Term

35420091b Lisbon SEMANARIO in Portuguese  
9 Jun 88 p 10

[Article by Lilia Marcos; first paragraph is SEMANARIO introduction]

[Text] As reported by SEMANARIO, Silva Peneda's staff is finalizing the latest version of the labor package. There are those, however, who say that the "structural reform" desired by Cavaco Silva will only be possible 5 years from now because of the "double revision."

The minister of labor's staff has been working perseveringly on the new version of the labor package—with successive evenings of overtime at the ministry—and, although the topic is not on the agenda, it is possible that at the Council of Ministers meeting today, Silva Peneda will announce to the full ministerial body the principal changes to be introduced into the text torpedoed by the Constitutional Court.

However, the alteration desired by the Cavaco Silva government in the field of labor legislation—one of its "structural reforms"—may have to "mark time for at least 5 years." The summary statement (which includes the testimony of five constitutionalists) is based on the theory of a "double constitutional revision," that being the theory defended by, among others, the parties whose combined strength will provide the two-thirds majority needed for revising the Constitution: the PSD and the PS.

It should be recalled that three theories exist concerning constitutional revision as it relates to article 290 of the Fundamental Law ("Material Limits of Revision"). The first, supported by the PCP, is the theory of "absolute importance," which says that the article is "untouchable" and that, consequently, so are all the articles depending on it. The second, supported by the CDS, goes to the opposite extreme and is the theory of "absolute unimportance," meaning that article 290 and all those depending on it can be changed. The third, supported by the PS, the PSD, the PRD [Democratic

Renewal Party] and most Portuguese constitutionalists and experts on constitutional law, is the theory of so-called "double revision," meaning that article 290 itself can be changed but that articles depending on it (such as those dealing with workers' rights, freedoms, and guarantees, among them article 53) can only be altered in the future constitutional revision (rather than in this one). Translation: The two-thirds majority supports the understanding that structural reforms in the world of labor will not be possible for another 5 years.

All indications are, therefore, that the rewritten "labor package" to which the government committed itself at last week's Council of Ministers meeting ("3 weeks at most") will cover only the essential points indicated by the court at Ratton Palace. We have been told by constitutionalists: "The PSD is actually unable to present a new proposed amendment to the Constitution even in the labor area alone (it forgot about article 53, and only the CDS eliminated that article in its draft revision of the Constitution), because there was a deadline for doing so, and that deadline has passed."

The result is that whether the government likes it or not, its new labor package "will have to respect the principles of just cause for dismissal and that of job security as well as safeguard the rights of the workers committees and the union associations."

Because of that, the constitutionalists (in the government's political quadrant) have expressed their perplexity to SEMANARIO on the following points:

1. "Minister Silva Penada's incompetence."
2. A government which "has inadvertently exposed itself to a political and strategic defeat that could have been avoided if it had shown a little good sense and a minimum willingness to negotiate and if it had presented the package immediately after its victory on 19 July."
3. "The government's error in reasoning when it compared abstract European systems without taking into account the social security and employment protection systems in force in those countries."
4. The "naiveness of believing in good intentions and ignoring results."
5. The "government's legal advisers and strategists, who forgot such important points."

## CYPRUS

### Norwegian Security Expert Criticizes Declining Defense Effort

#### Contrasts With Norway, FRG

36130068 Copenhagen BERLINGSKE TIDENDE  
in Danish 22 May 88 p 14

[Guest commentary by Arne Olav Brundtland: "Why Denmark Has Lost Credibility in NATO"]

[Text] "It is no exaggeration to say that Denmark has lost respect and credibility in NATO. I believe the main reason is because Denmark has such a low defense budget. One feels that Denmark is not paying a reasonable share," writes Arne Olav Brundtland, an internationally recognized researcher at the Norwegian Foreign Policy Institute. Here Brundtland reviews the difference between Danish and Norwegian security policy and expresses the hope that the two countries can support each other better in international security policy. "But I think first of all that Denmark must follow a policy parallel to Norway's."

Danish security and defense policy has significance for Norway.

Danish land, air, and sea territory, including sounds and belts, must have a reasonable security cover if Norway's security and defense policy is to be carried out along traditional lines with the priority defense of northern Norway.

Just how this is to be done must remain a secondary question. But it is for Denmark to conduct a security and defense policy that is considered reasonably credible and that Denmark can answer for.

Denmark's military strategic location as a small, flat land without natural defense possibilities and with the strategically important exit from the Baltic Sea has given meaning to the well-known saying about Danish defense: "What good is it?" To be sure, the original was, "What good is it if Denmark cannot gain any great power alliance?" But the last part is often forgotten. The fact is, of course, that Denmark no longer has a strong Germany in the south as a possible enemy, and it has an alliance with a great power.

Denmark's defense solutions are quite different from those of Norway.

Denmark has chosen to depend upon an army that is to a great extent professional, with relatively low mobilization. Norway, for example, mobilizes more than twice as many as Denmark, even if Denmark has more than a 20-percent larger population. Danish defense expenditures are of the order of 13 billion kroner, while Norway spends 18 billion kroner.

The Danes contribute less to defense, but what they contribute has greater professionalism. This applies to the Army and the Air Force, but not to the Navy. Denmark performs its role in NATO's forward defense by planning forward cooperation with West German forces in Schleswig-Holstein. Norway performs its role in the same defense by maintaining the main part of its combat forces in Troms. Between the brigade in northern Norway and the Norwegian-Soviet border there is a bit of geography that is at least as large as all of Denmark.

In Norway we can imagine ourselves having to take up the defense struggle alone during the first days, or perhaps weeks, if the warning of an attack is not understood and base policy changed before the outbreak of hostilities. In Denmark, Germany's naval and air forces stand so to speak ready to defend Denmark just as quickly as the Danes themselves do.

In Norway one can—even though with ever diminishing probability—imagine an isolated attack on Norway. In Denmark this is almost unthinkable. Norwegian defense has clear tasks, and Norwegian defense policy has developed an identifiable individual role, which probably has a motivating effect on the Norwegian will to defend. Denmark is so joined to Germany that the idea has taken hold that war against Denmark is just a part of a larger war. In Norway one can imagine that our allies may come too late. In Denmark this is not an important problem.

Norway cannot, like Denmark, conduct a sort of parasitic defense policy, because it is believed that Denmark will in all circumstances be defended by its allies because there is such a strong allied interest in defending Denmark.

If we are to look at the matter purely from a defense point of view, it is much less important to Norway whether Denmark or the Federal Republic of Germany defends Denmark. The tendency in the past 10-15 years has been for West Germany to strengthen its Baltic Sea and exit defenses, while Denmark has reduced its defense efforts. The results for defense are not so bad. The western part of the Baltic Sea and the exits are quite well defended.

But the security policy effect of a reduced Danish defense is something else. It is no exaggeration to say that Denmark is losing respect and credibility in NATO. I think this is mainly because Denmark has such a low defense budget. One feels that Denmark is not paying a reasonable part of the whole.

And then there is Danish politics. Prime Minister Poul Schluter has ignored 22 security policy resolutions from the so-called alternative foreign policy majority in the Folketing. For the most part they have had to do with large security policy questions of general significance for strategy and disarmament.

The most damaging thing as far as Schluter's government's ability to swallow security policy defeats in the Folketing is concerned seems to have been that no one has really known what the government's position on security policy is. To some extent, Schluter has been hunkering down. He has not been able to conduct a solid and clear foreign policy. The alternative would have been to state his position earlier, but Schluter has of course chosen to put priority on economic policy where he has had the support of a Folketing majority.

During the present election campaign, which was started by the 23rd resolution demanding letters to visiting ship captains stating that nuclear weapons cannot be brought in on visits to Danish harbors, the Social Democratic chairman, Svend Auken, accused the government—with some justification—of having sabotaged the Folketing's resolutions. In Auken's opinion it would have been possible to gain a larger hearing for the Folketing's majority resolutions in NATO if the government had supported them. Perhaps Svend Auken has a little point there.

But in the present situation, Schluter has chosen to put on the brakes with the statement that now it is a matter of Denmark's direct security policy interests. It concerns common maneuvers, and it concerns the credibility of reinforcement agreements. The limit has been reached.

In my opinion, Norwegian ship visit policy was used as a club in the Danish election campaign in a rather inaccurate way. Poul Schluter said that he should have received permission from the Social Democrats to adjust things as reasonably as the Labor Party government has done in Norway, while Svend Auken said that the Social Democratic ship visit policy after the 23rd resolution is the same as the Norwegian entry policy, just a little clearer. Neither one is completely right, if we look accurately at the Norwegian policy.

We have the famous Bratteli declaration, which, seen metaphorically, stands on two legs. The one explains the legal relationship between nuclear storage policy and ship visit policy and provides that concerning the nuclear storage policy there is nothing legally wrong in bringing nuclear weapons into Norwegian harbors. But the other leg of the declaration, the most important one, is that for so-called other reasons nuclear weapons shall not be brought in on ordinary visits to Norwegian harbors, and that our allies and other nuclear powers be informed about this.

And then there is the matter of making the policy known. Norway has not communicated the ship visit policy in any formal way to the nuclear powers, but there has been so much talk about it that one considers it known. It has also been translated into English, and seminars have been held.

Schluter imagined that Danish ship visit policy could, according to the Bratteli model, be made known by a diplomatic circular. With this he indicated that he wanted to go farther to the left than Norway.

The majority also wants the ban against nuclear weapons made known in explicit language to incoming ship captains. Schluter wants to follow the Norwegian practice by informing the ship captains that the visit will take place in accordance with Danish policy or Danish rules. Nuclear weapons would not be mentioned, just as the words, nuclear weapons, do not appear in the letters of clearance on visits to Norwegian harbors.

A major point is that our allies do not want letters of clearance that make it necessary for them to make a reply so that violates their own policy of neither confirming nor denying the presence of nuclear weapons on board. One lives a shadowy existence. The Danish Folketing majority wants to drive out the shadows, and the possibility that Denmark will not receive a visit from allied ships with nuclear weapons will increase.

The first problem is that the nuclear powers (with a possible exception of the Soviet Union) have decided neither to confirm nor deny, and they will not agree to have this demanded of them. New Zealand received no visit after having declared that New Zealand itself would decide whether nuclear weapons were on board or not and issue an entry permit accordingly. The U.S. would not agree to such checking. In addition, New Zealand also has a ban on visits by ships with nuclear propulsion. This covers the greater part of the U.S. Navy's large ships, those that can operate in the open sea and that are the strongest candidates to visit far away countries overseas.

There could be a certain contagious effect in American policy if it were to change from country to country. The break with New Zealand was, among other things, justified on the possibility of a spread. Japan, which follows a Norwegian policy, would certainly be tempted to try the New Zealand line if the U.S. had agreed to it. And there are other countries.

The U.S. has the power to make certain conditions. The Social Democrats have said that Denmark can decide for itself. This is indisputable. But one must obviously add that other countries can, too. In an alliance one must consider one another if the defense union is to function. The Norwegian practice seem to be completely accepted by the U.S.

The next problem concerns the U.S.'s general policy. It is easy to see the wisdom of not saying what weapons are found where, even if one can imagine security policy statements with greater precision on arms. But the American policy does not necessarily represent immutable wisdom. One can imagine that it might be changed, for example, in connection with far-reaching disarmament agreements between the super powers, so that, for



example, certain ships are clearly defined as nonnuclear or that certain nuclear weapons are not put on ships, or are taken from ships respectively.

And now to the present contagious effect.

The Danes have tried to use Norway as martyrs for various policy lines. The government has chosen not to interfere much in Danish election campaigns.

But the Danish Folketing elections have brought about a majority for the 23rd resolution, even if it is a thin majority. We do not know the result of the government's discussions. But the Folketing majority's ship visit resolution is there, nevertheless, and the problem must be solved. I agree with those who have said that Denmark cannot live with its internal security policy struggle.

The main points in Norwegian security policy are supported by a broad majority. The government also has a majority in most points of current security policy, even if there is criticism from Conservative and Progressive Party representatives.

Now and then a conflict flares up, often in yearly communal congresses in the Labor Party, but the Bratteli declaration is defended and upheld. Progress for Danish viewpoints in ship visit policy after the Folketing's resolution will naturally be noticed in Norway, too. If Denmark effectively changes its policy, Norwegian politicians will feel pressure to change Norwegian ship visit policy as well. Personally, it is hard for me to see how one can reach a new compromise with the U.S. on ship visit policy. But what the U.S. can live with, as an ally, mind you, Norway can certainly live with, too.

In Danish security policy there is much struggle among the parties. There are special historical reasons for this and a long tradition. Norwegian security policy is much more clearly put beyond party boundaries, even if we, too, have had our democratic tiffs, not the least from 1982 to 1984, when the double decision was put into effect.

But just the same I do not think that we should automatically write off the disarmament and tension relaxing idealism of the Danish politicians. I think, myself, that it is quite logical for a small country to seek disarmament and relaxation of tensions, but on a responsible security policy basis.

Particularly the Danish left wing seems to be concerned with wanting to be a sort of avant garde for relaxation of tensions. The realism of what they are attempting can be doubted, particularly in the light of the difficulties they are creating in NATO.

In my opinion it would be an advantage if Denmark and Norway could support each other better in international security policy. But above all, I think that Denmark should follow a policy parallel to Norway's. As things are

now, we may say a bit pointedly: The Danish Conservatives are on line with Norwegian Labor Party, while the Danish Social Democrats are about where the Labor Party's farthest left wing is. Denmark needs a reestablishment of security policy unity between at least the Social Democratic, the Liberal, and the Conservative parties. The Radical Liberal Party is perhaps too strongly opposed, while the Progressive Party is of course quite divided.

But developments in recent years have shown that it is much easier to wish for a consensus in Danish security policy than to get one.

#### Lasse Budtz Disputes Conclusions

36130068 Copenhagen BERLINGSKE TIDENDE  
in Danish 29 May 88 p 16

[Guest Commentary by Lasse Budtz, former MF, chairman of the Social Democratic Foreign and Security Policy Committee: "He Is Not a Social Democrat!"]

[Text] It was a very honest and balanced article that the Norwegian foreign and security policy researcher Arne Olav Brundtland wrote in BERLINGSKE TIDENDE last Sunday. And the Social Democratic Party in Denmark can at any rate agree with the most important thing in his conclusion: It would be advantageous if Denmark and Norway could support each other better in international security policy.

When the late Knut Frydenlund was the Norwegian Social Democratic foreign minister, he received warm support from the Danish party when he announced that he wanted to get the NATO top strategists to discuss the question of the first use of nuclear weapons. Frydenlund thought that after such a discussion it would be easier to discuss a Nordic nuclear weapons free zone with the NATO countries. And Frydenlund's successor, Thorvald Stoltenberg, has often said that in spite of everything it has become easier than before to discuss the zone problem in NATO. But—regrettably—the discussion of strategies has never come about.

The main reason is surely that the Norwegian and the Danish parties have completely different starting points for a security party effort. In Denmark the Social Democrats have been able to conduct an active security policy as a part of foreign policy on the basis of a permanent so-called alternative majority, which of course also continues after the election. We have achieved unanimous backing for this policy in our congresses, and we will achieve it again in September.

In Norway only in special situations has one been able to find a security policy majority of the same type, for example, in favor of the zone, because the Labor Party itself does not have a majority. Individual members of the Christian Party and of the Center Party have been

able to support the zone idea, but their seats cannot be used, because this would break up the cooperation between the nonsocialist parties.

Brundtland can, nevertheless, correctly say that there is wide unity on Norwegian security policy, but this is, of course, because there is no majority as in the Danish parliament for the active security policy that the Social Democratic Party is striving for in the hope of strengthening the efforts for relaxation of tensions. If the Labor Party should one day win back its old strength, the situation would possibly be different, even though this is obviously not certain.

Happily, agreement between the Danish and the Norwegian parties is the rule and not the exception, and the difference in the position on ship visits of foreign and naval vessels is small. Our position is a bit clearer than the Norwegian one.

For these reasons I am a little shocked to read that Brundtland thinks that the Danish Conservatives are on line with the Norwegian Social Democrats. Either he does not know what the Danish Conservatives and Liberals stand for, or the Norwegian Labor Party has gone over to the right from a security policy point of view. And this certainly cannot be correct.

In the light of this, it is perhaps not so remarkable that there are viewpoints in Brundtland's article that I cannot accept. I cannot, for example, imagine an isolated attack on Norway. I am very surprised that Brundtland can—in a situation in which everyone understands the consequences, precisely in recent developments, of an increased concentration, political and military, in the northern seas.

It may well be that Denmark "is losing respect and credibility in NATO." But with whom? With Thatcher and Kohl and Reagan? Yes, probably. But the conservative position on relaxation of tensions and disarmament is, of course, undeniably different from that of the Social Democrats. (Yes, I am also aware of the French socialist position.) It should surely not be a surprise for us that those who think differently politically have a different idea about security policy from us. We also view the threat and the possibilities of disarmament and relaxation of tensions in a different way from the rightist parties.

"Norwegian security policy is much more clearly put beyond party boundaries" (than Denmark's) Brundtland writes. Agreed. It would be wonderful if the same situation could be created—or recreated—in Denmark. But, in my opinion, it must not be done at any price. If, for example, it meant that the Social Democratic Party should relinquish the demand for an attempt to establish the North as a nuclear weapons free zone, I would advise against it.

Finally, if I should say anything a little sharper to Brundtland, it would be that he is a conventional thinker, dogmatic and to too great an extent caught up in the international NATO milieu. One does not have to be this, even if one is a NATO supporter.

But, actually, I really don't want to say anything sharp, because in many ways I am a great admirer of the Norwegian Labor Party, which stands in an unbelievably difficult situation. Naturally, this is a matter of indifference to Brundtland. He is not a Social Democrat.

09124

## FINLAND

### Defense Minister: Neutrals Could Cooperate in Arms Making

36170078 *HELSINKI SANOMAT* in Finnish  
25 May 88 p 10 txt

[Text] Finland and the other neutral countries of Europe could undertake the development of a mutual division of labor for satisfying the material needs of their armies, in the opinion of Defense Minister Ole Norrback. Norrback presented the idea on Tuesday in his speech in Kauhava.

The possible cooperation with other neutrals in producing arms would be associated with the reorganization of domestic arms production that Norrback presented and that is justified in his opinion.

Through this Norrback wants to increase the share of domestic arms production in procurement by the armed forces and promote product development activity in the armament industry.

Through increasing the degree of domestic content and obtaining new know-how, agreements could be made in connection with compensation arrangements for large orders to also obtain the desired know-how, Norrback suggested. In his opinion, this could be readily achieved by agreeing on the production of specified parts or subassemblies in Finland.

### Industry Should Be Charted

"Likewise the production of foreign products under license in Finland is an effective and, in view of the long production runs involved, practical method of transferring knowhow and creating the foundation for later production of our own models," Norrback said.

To increase competitiveness of the arms industry the effectiveness of the industrial organizations engaged in Finland's defense industry would have to be gauged.

"At this time very few enterprises have concentrated on the production of defense equipment, and its significance in the sales volume of most enterprises is small.

Because of this, the development of output and competitiveness in the defense sector may not receive sufficient attention on the part of these enterprises," Norrback averred.

According to Norrback, the improved competitiveness of the arms industry would expand the capabilities of the armed forces to carry out procurement domestically and would increase foreign interest in Finnish weapons.

#### **Their Own Output Is 40 Percent**

This year the Defense Ministry has at its disposal about six billion marks in appropriated funds, of which one-third may be used for procurement of materials. Traditionally about one-third of the purchases in money terms go to the East and one-third to the West. Our own output covers about 40 percent of the need.

Finland's most important arms suppliers are the Soviet Union, Sweden, France, England and the United States. In 1985 and 1986 Finland was the largest customer of Sweden's arms industry.

According to Norrback, it would not be worthwhile for Finland to invest resources in things like heavy armored equipment, interceptor fighters and fighter trainers and most missiles.

12893

#### **New Law Would Increase Military's Education Opportunities**

*36170085b Helsinki HELSINGIN SANOMAT  
in Finnish 4 Jun 88 p 12*

[Text] The professional and educational foundation of conscripts will be utilized better in future military training. The men's skills, activities and interests will be examined more closely during induction.

There will be an attempt to increase interest in military service through military training related to civilian education and professions.

"Recruits are motivated to study and learn when there is a benefit for themselves from it later," explained Lieutenant General Tuominen, training chief of the General Staff.

The new military service law that the president submitted to Parliament for consideration on Friday will provide better training possibilities than before.

The law provides for a new 9.5 month month period of service for training for technical duties in addition to the present 8 and 11 month service periods.

The military training procedures and content of the training are at present in a complete state of chaos according to Tuominen. "One has to keep up with the times and developments."

The objective of the armed forces is to revise the training of all the permanent staff too by the beginning of the next decade.

As the first stage the training of regular officers on the college level is to begin. The officer candidate school operating in Lappeenranta will begin to produce graduate officers already by the turn of the year.

Cadet officer training, which has been revised and is longer than it previously was, will probably begin in the fall of 1990. The present three-year cadet training will probably be extended by a half year. Information from a working group that considered the innovation is being assembled in the General Staff for making executive decisions and proposals.

According to Tuominen there is an attempt to increase the officers' teaching and nurturing skills. A loud voice and even a good knowledge of waging war are no longer sufficient for training conscripts.

Along with the rise in their educational level, the regular officers have made demands for more promotions and pay increases corresponding to their training. There will be an attempt to implement changes in the officer corps that may be necessary by fall.

According to Tuominen the change in regular officer training to the college level will not affect the army's internal hierarchy.

The division of labor between graduates of the officer candidate school and university or cadet officers will not change. "As the educational level rises, conscript training can incorporate more professional training than before," Tuominen said.

12893

#### **Air Force Pilots Rejected by Finnair Turn to SAS**

*36170078b Helsinki HELSINGIN SANOMAT  
in Finnish 25 May 88 p 16*

[Text] At least some of the Finnish Air Force pilots who were refused by Finnair are applying for work as commercial pilots to the Nordic air line SAS.

The SAS flying school located in Stockholm reports that several Finnish military pilots have inquired about the possibilities of joining the employ of the Nordic company. A basic decision on policy regarding Finnish applicants has not yet been made, however, by SAS. To date the company has hired into its cockpits only the citizens of the three SAS countries, namely Sweden, Norway and Denmark.

The pilot shortage, which has become an obvious sore point for Finnair, vexes SAS too, however, and the company has a large demand for competent personnel. At the SAS flying school it is believed that the Finnish military pilots would be good material, and hiring them is being seriously considered.

A decision in principle is expected within a few weeks. It may very well require that Finnish pilots who are hired must take up permanent residence in one of the SAS countries and perhaps also become citizens of that country.

Earlier this spring Finnair was seeking pilots who had been trained for a fairly long time or had a commercial pilot's license and instrument flying capabilities for the commercial pilot courses at its flying school in Pori.

Among the applicants were about 50 Air Force pilots despite the gentlemen's agreement concluded between the company and the Air Force according to which Finnair does not hire the military pilots, who have been trained at great expense.

Air Force pilots have signed a service commitment for about ten years, which binds them to the military payroll on the threat of large penalties. This has not, however, stopped military pilots who are dissatisfied with their pay from trying to join Finnair. The gentlemen's agreement has held, however. Finnair announced that it would ignore Air Force personnel in its tests. After the decision was made the Officers' Association reported that those rejected had asked both the Chancellor of Justice and the Parliamentary Ombudsman whether the Finnair decision violates the provision of law prohibiting employment discrimination. 12893

## NORWAY

### Forces Commanders Speak Out Against Defense Cuts

#### Criticize Long-Range Plan

36390072 Oslo AFTENPOSTEN in Norwegian  
6 Jun 88 p 10

[Article by Liv Hegna: "Vigorous Reactions Against New Long-Range Plan; Defense Lacking in Credibility"]

[Text] The long-range plan is not credible. It is not in keeping with the real military situation.

An increase in productivity within a range of 2 percent is not possible.

The economic framework into which the long-term plan must fit is not based on reality because the Armed Forces now have to subsidize other departments' expenditures.

The 2-percent growth that is spoken of is political eyewash. Those are some of the main conclusions that were pointed out to AFTENPOSTEN by former commanders of the Armed Forces and former ministers of defense after the Armed Forces' long-term plan for the period from 1988-1993 was presented.

#### Bull-Hansen

The former commanding officer of the Armed Forces, Gen Fredrik Bull-Hansen, puts it thus: "Nothing has changed for the better where the conditions that formed the basis for the Armed Forces study of 1985 are concerned. They have become a good deal worse. Now, there is stealing from the defense budget while amounts of money are being transferred from other departments without compensation. The political leadership is keeping elements that cause additional expenditures, such as the regulations covering working hours, for example. Not even an approximate compensation for price increases was included.

#### Sjaastad

The former minister of defense and member of the Storting, Anders C. Sjaastad, (Conservative Party) puts it this way: "The Willoch government at one time called for a considerable improvement of efficiency and the introduction of modern methods in the Armed Forces. That work was well under way. However, considerable amounts must often be invested over the short term to obtain such results over the long term. In the light of the scanty economic framework that is being laid down now, I do not believe that it will be possible to obtain such an increase in productivity as the long-term plan calls for. The wording used by the government does not even guarantee an increase of 2 percent. For example, the Armed Forces are not promised any compensation for the additional expense resulting from the selection of Gardermoen as their principal air base. The Armed Forces' economy is being further weakened." "Preparedness will suffer," Sjaastad says, and he added: "I want to remind the minister of defense that the Armed Forces cannot live on more or less well-founded political theories regarding security and nothing more. A credible national defense requires that realistic investments be made."

#### Zeiner Gundersen

The former commanding officer of the Armed Forces, Gen Herman Fredrik Zeiner Gundersen, has told AFTENPOSTEN that a 2-percent increase with a detailed statement on alternative lines of development if the main plan cannot be complied with is nothing more than political eyewash. "Anybody with a little experience in government service knows how that is," he says. Zeiner Gundersen rejects Defense Minister Johan Jorgen Holst's statement that drastic steps will now be taken to close the gap between the desired level of national defense and the actual flow of funds that came into being

after the arms aid program was dropped many years ago. "For a period of 20 years, commanding officers of the Armed Forces have pointed out to seven or eight governments the need for an increase of more than 1 percent to make up for what we have lost. It is wrong to describe that as a new problem, as the minister of defense is doing," he says.

#### Hauge

The former commanding officer of the Armed Forces, Gen Sven A. Hauge, has pointed out to AFTENPOSTEN the following:

"In reality, keeping national defense even at its present level would be equivalent to weakening our relative level of defense when the fact that technological development is advancing by leaps and bounds is taken into consideration."

"Even though the so-called INF agreement on the reduction of the number of nuclear weapons does not involve Norway directly, it is clear that NATO as a whole must make a bigger investment in conventional forces. Norway has a moral obligation to maintain her present level of forces," Hauge says.

The general says he is in agreement with Defense Minister Johan Jorgen Holst's proposal that there be a new defense commission. "I sincerely hope that the result of such work will have more influence on the planning process than the last defense commission had," Sven Hauge says.

#### Free Norway

Elisabeth Ramm of Free Norway with NATO puts it thus: "One just has to feel sorry when one learns that the political leadership is getting ready to reduce the level of national defense. Why can't the politicians understand that the Armed Forces, themselves, are the foundation pier for all other activities in a free and independent small country? As a politician, Holst must begin to listen to the professional military personnel who are saddled with the daily problems. It is discouraging to have to observe that the minister of defense and the commanding officer of the Armed Forces are on a collision course where their perception of the Armed Forces' needs and their further development are concerned."

The Norwegian Reserve Officers Association deplores the fact that, in reality, the long-term plan involves a direct reduction of 1.5 percent. The chairman of the association, Svein Sjomaeling, has told AFTENPOSTEN that, even if we are in a period of relaxation of tension, the forces to be ready in case mobilization is necessary must not be undermined. "With the reductions we are confronted with now, the contact surfaces between the reserve officer corps and personnel in the service are severed," he says.

"The result is that the nearly 50,000 reserve officers in this country will lose a good deal of the favorable attitude toward the Armed Forces that is constantly spoken of by them during refresher exercises. We have already had to see the corps of 1,100 reserve officers receiving pay as such be cut in half in an adjustment of operations to the more limited structure. In the Navy and the Air Force, the current reserve officer strength figures have been frozen. That is an alarming development, and Armed Forces daily operations will suffer as a direct result."

#### Clear Weakening

36390072 Oslo AFTENPOSTEN in Norwegian  
6 Jun 88 p 2

[Text] In Norwegian security policy, we have taken maintaining the present level of defense and defending all parts of this country as our objective. Little by little, as the weaknesses of our own defense concept are revealed, we must just admit that that objective does not seem very realistic. And it is getting worse. The government's long-term plan for the period of 1989-1993 implies a clear-cut weakening of the level of Norway's defense. A defense program that is burdened, in advance, with obvious flaws is going to emerge as still more defective when the new long-term plan is brought to a conclusion.

For its part, the government emphasizes its expectation that the level of the country's defenses will be preserved by an increase in production and economies in the operating budget.

Therefore, there will be heavy investment in efforts to improve efficiency. There certainly may be good reason to take a closer look at the peacetime organization of the Armed Forces with an eye to economizing, but what we ought to be concerned about above all, is the question as to how we can create an effective national defense program. And by that, we mean a defense program that will be strong enough to be able to present war and that, in case of war, will be capable of holding out until our allies come to rescue us.

To imagine that we will be able to reach that objective by reducing the increase in our annual defense budgets from 3 to 2 percent, in combination with extensive improvements in efficiency, is a pure pipe dream. Even the minister of defense himself has wondered whether that is a realistic way to go. Of course, one can hope to get help from all beneficial forces, but if a sober evaluation of the Armed Forces' objective and the means available is made, one cannot avoid realizing that there has been a clear-cut imbalance that we have not been able to do anything about for several years. Economizing and improving efficiency may be of use to a certain extent—yes, they may indeed even be beneficial. But they will not under any circumstances be capable of straightening out the quite basic weaknesses of our national defense program.

In the present political situation, in the absence of a practical alternative, we, unfortunately, also do not see any possibility of doing anything about it. An effective, enduring and credible defense program would require considerable expenditures, even over and above the 3-percent increase that was granted earlier. But in the present Storting there is no majority favoring anything that is different from or more than what the government itself proposes. That is owing to the fact that too many members are inclined to refuse to see the Armed Forces' situation and the true nature of our security policy. Precisely for that reason, it would presumably be more expedient to talk about the relationship between the desired level of national defense and the flow of funds to the Armed Forces than to persist in discussions of the

annual percentage of increase. An analysis of the Armed Forces' situation, seen in the light of the tasks we have set for ourselves to perform, would necessarily lead to rather frightening conclusions. But frankness and a desire for self-knowledge would be required prerequisites for such an analysis.

What is the political majority going to say if it can be determined (and that is something it actually can do) that, under the cramped financial conditions existing at present, we will not be able to defend all parts of this country? That is what we want to train the searchlight on when the new long-term plan comes up for discussion.

09258/06662

## DENMARK

### Long-Expected Downturn in Employment Seen at Hand

36130064a Copenhagen BERLINGSKE TIDENDE  
in Danish 24 May 88 Sect II p 6

[Article by Vogg Lowe Nielsen and Kristian Hjulsager:  
"Employment on the Decline"]

[Text]

#### Main Trends

The long expected/feared rise in unemployment now appears to have begun.

The explosive growth in the March figures were due, in part, to the fact that figures for the previous 2 months were "too low," because of the extraordinarily mild winter.

The general "souring" of the labor market is also reflected in the number of jobs filled through the labor exchange.

The level of employment in the private sector is falling. A possible increase could come from export-producing companies.

In 1987 the public sector showed a slightly greater increase in jobs than in the previous year.

Industry expects a continued drop in employment, while the building and construction sector is looking forward to a certain increase.

While previous years have shown rising levels of employment, there are signs of a slight decline in employment this year.

Weak economic activity in the private sector, in the form of lower production and investments, is reflected in a declining level of employment.

In 1987 the level of employment for wage earners rose by 16,000 full-time employees, while in 1986 there was an increase of about 70,000 full-time employees. According to present indicators, 1988 will show a reduction in employment in industry—a drop that is partially offset by a continuing rise in jobs in the public sector. On balance, however, a slight drop in employment is expected.

Hopefully, the increase accounted for by exports will be so great that employment predictions will be proven wrong. But the improved level of competitive strength provided for in the Christmas budget will have an impact on employment figures no sooner than the latter part of the year.

The number of employed wage earners, calculated in terms of full-time employees, was estimated at 2,066,800 for the fourth quarter of 1987. This represents an increase of just under 17,700 compared to the fourth quarter of 1986. This corresponds to just under 1 percent.

The number of full-time wage earners is calculated on the basis of employers' contributions to the General Pension Fund by dividing their total payments by the payment required for one full-time employee.

In a comparison with the third quarter of 1987, Danmarks Statistik showed that this figure, corrected for normal seasonal fluctuations, represents a good 16,000 more full-time employees.

#### Public Sector

Throughout 1987 there was a somewhat greater increase in public-sector employment than during the previous year. The available figures for the fourth quarter of 1987 show a 1.7-percent increase over the fourth quarter of 1986.

In terms of full-time employees, there was an increase of about 12,300 from the fourth quarter of 1986 to the fourth quarter of 1987. The national government increased its number of full-time employees by over 4,100, while municipal and county governments had a level of employment in the fourth quarter of 1987 that was over 7,800 higher than at the same time the previous year. For the purpose of this comparison, it should be pointed out that the work week was reduced from 40 to 39 hours as of 1 January 1987, which has an impact on the total number of hours worked.

#### Industry

At the end of February the number of employees in industry per se was 381,100. Compared to the figure for the same time during last year, when the number was estimated at 390,300, there was a drop of over 2 percent.

Based on the predictions of industrial companies themselves for the economic climate in the near future, the employment level will continue to drop.

Although the companies expect increased production and new orders this quarter, a slight downturn in employment is predicted, as indicated by the accompanying figure.

#### Building and Construction

The number of employed workers and related craftsmen in building and construction in mid-February was 115,900 persons, which was 3,100 more than at the same

time last year. However, the increase was undoubtedly influenced by the mild winter this year, compared to the winter of 1987. This sector expects continued success during the present quarter.

### Explosive Growth in Unemployment

Unemployment rose explosively in March, with a seasonally corrected increase of 6,400 over the previous month (see figure). One must look all the way back to 1983 to find a month with a comparable increase in unemployment.

The figure also shows that the seasonally corrected unemployment for March reached its highest level in 2.5 years.

It must be pointed out, however, that the figure presents a distorted picture of the unemployment level, since it only shows fluctuations in the interval from 210-230,000 unemployed. This exaggerates changes in the unemployment level, but this method of illustration was chosen to make the fluctuations more clear.

Unemployment decreased from the fall of 1985 to the fall of 1986, when a weak upward trend set in but, on the whole, unemployment may be said to have remained unchanged (within the interval from 210-220,000) from December 1985 to February 1988.

This stability was clearly broken in March. Closer analysis of the figures for January and February indicates that the main reason the worsening did not occur already in these months was the mild winter weather. Last year's bitter cold temperatures during the winter months meant

an end to most outdoor work, which was not the case this year. Consequently, the customary winter rise in unemployment among men did not occur this year and it is precisely the seasonally corrected unemployment among men that was relatively low during the first 2 months of the year, but high in March. Similarly, it is unemployment among "outdoor trades" that rose particularly sharply between February and March.

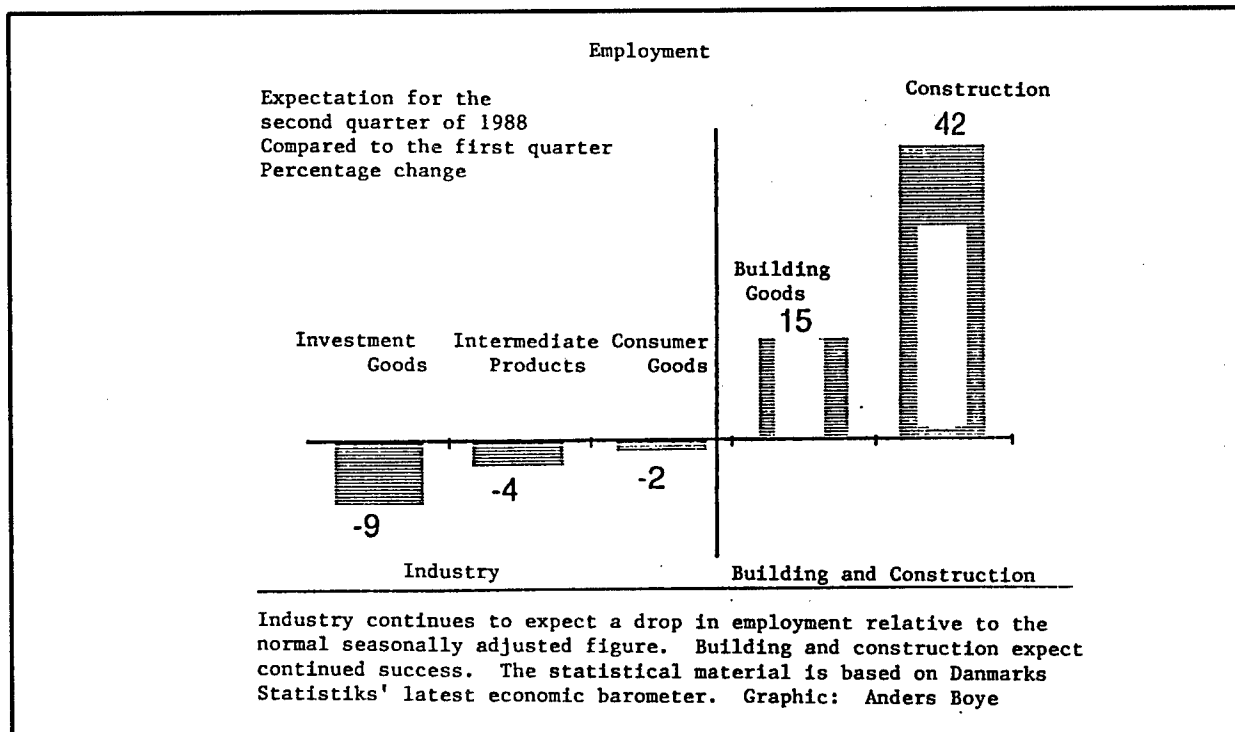
An unemployment report for the first quarter of 1988 based on the length of unemployment also shows that there has been less brief unemployment this year. At the same time, there has been a rise in the number of persons affected by prolonged unemployment, i.e., unemployment lasting more than 80 percent of the period in question.

### Job Openings

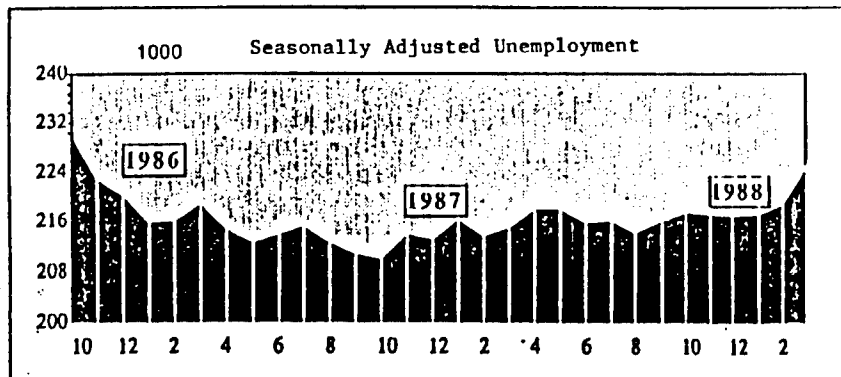
The downturn in the job market may also be seen from the table on job placement by the labor exchange.

Beginning in the early eighties, there was an increase in the number of job openings reported to the labor exchange and in the number of jobs filled by way of the labor exchange. This trend was broken in 1987. Both the number of new openings and the number of jobs filled dropped by 13 percent, compared to 1986.

Apparently, this trend has continued with growing strength in 1988. During the first quarter the number of newly reported job openings dropped by 20 percent







The relative stability of unemployment (seasonally adjusted) that has existed since Dec 1985 has now ended. The unemployment figures for March point to a period of renewed growth in unemployment.

1,000 Persons	1986	1987	1988
Newly listed openings	149	130	104
Total positions filled	129	112	93
Positions filled, women	69	61	51
Positions, filled, men	60	51	42

Far fewer jobs were obtained through labor exchange in 1987 than during the previous year. This trend seems to be continuing in 1988, where the reduction during the first quarter was used in the prediction for the rest of the year.

compared to the first quarter of 1987, while the number of jobs filled was 17 percent lower.

If these percentages hold throughout 1988, the final results for the year (as shown by the table) will be 104,000 new job openings and only 93,000 positions filled. If this is the case, these results will be the lowest in at least 20 years.

Men, in particular, are obtaining fewer jobs through the labor exchange. In 1976, 121,000 men received jobs through the labor exchange, compared to just 51,000 in 1987 (and 42,000 projected for 1988). Among women, on the other hand, 71,000 obtained work through the labor exchange in 1976, compared to 69,000 in 1987 and 51,000 projected for 1988.

At the end of March 1988, there were a total of 1,022 job openings for immediate hiring at the country's labor exchange offices, compared to 1,871 at the same time last year. It is particularly in the building and construction industry and in the hotel and restaurant business that the need to hire workers through the labor exchange dropped this past year.

09336

## Central Bank Chief, Industry Council Differ on Economy

### Inflation Fight Losing Ground

36130070 Copenhagen BERLINGSKE TIDENDE  
in Danish 22 May 88 p 17

[Commentary by Frank Dahlgaard: "Denmark Lost Good Standing in Last 2 Years"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] In just 2 years Denmark has moved down from the group of countries with the lowest inflation to the group of countries with the highest price increases. Anti-inflation policy must be restored.

The new government's most important task is to restore the economic recovery policy that was derailed in the last 2 years of the four-party nonsocialist government's reign.

The most important thing is to halt the destructive inflation that has flared up again. If prices continue to increase at the current rate, it will undermine competitiveness, the exchange rate of the krone, real wages and the possibility of halting rising unemployment and foreign indebtedness.

Fighting inflation is the key to solving most of our economic problems.

Only 2 years ago Denmark was the country foreign journalists flocked to in order to understand and describe the "Danish economic miracle." Denmark stood out in international statistics as a country that had transformed an alarming economic trend into a positive success in record time. Denmark could point to amazing results:

One of the biggest national debts in the western industrial world was turned into a surplus during the first 3 years the four-party coalition government was in power, while all other countries had deficits. Interest was cut in half from 20 to 10 percent, investments soared, the number of jobs increased with impressive speed and unemployment fell by almost one-fourth in a period when it was rising in other countries.

### Big Drop

But one of the most remarkable things was that at the beginning of 1986 Denmark was prominent in international statistics as a low-inflation country on a par with Switzerland!

That is no longer true, to put it mildly.

In the 12-month period prior to January 1986, Danish consumer prices rose by an average of only 2.8 percent. That meant that Denmark was on the way to a leading position as one of the western countries with the most stable prices!

As shown in the table [not included], at the beginning of 1986 we were in fifth place among the 24 OECD countries with respect to keeping inflation in check. The top economic countries in the western industrial world, Switzerland, Germany and Japan, were forced to concede, to their astonishment that Denmark had suddenly moved all the way up to their elite class when it came to keeping prices stable.

This was rightly regarded as an economic miracle and the director of the National Bank, Erik Hoffmeyer, and the nonsocialist government ministers regularly had to answer questions from the inquisitive foreign journalists who flocked to Copenhagen.

However Denmark completely lost its good standing in the past 2 years. From fifth place in the race to keep prices stable, we have dropped all the way down to 15th place among the 24 OECD countries.

Whereas Denmark was right on Switzerland's heels just 2 years ago, we are now on the heels of Spain....

### Wrong Way

In the 12-months period leading up to March 1988, the cost of living (consumer prices) in this country rose by an average of 4.7 percent.

In the context of more recent Danish history that is a good low inflation rate—at least when one looks at the last 30 years. Danish prices rose by an average of 6 percent in the sixties and the average increase was 10 percent in the seventies.

In an international context, however, an inflation rate of almost 5 percent is very high at this time. As the table indicates, the inflation rate declined in all the western industrial countries in the last 2 years—with the exception of Denmark, Norway and Turkey. While the rate of inflation almost doubled in Denmark over the last 2 years, many of the other countries cut their inflation rate in half.

Thus we in Denmark not only allowed other countries to surpass us in the international price competition, we have actually gone in the wrong direction.

Whereas Danish inflation was clearly below the OECD average 2 years ago, we are now clearly higher than the average. Among the European countries we can reasonably compare ourselves with, only Italy, Sweden and Norway have had higher price increases than we have.

### Reasons

The new labor contracts in 1987 are the primary reason for the high Danish inflation rate:

Working hours were cut (even further) with full wage compensation and hefty wage increases were also granted. The result was an increase of almost 10 percent in the business sector's hourly wage costs and this inevitably boosts prices. An especially low increase in Danish productivity (i.e., production per labor hour) could be a possible contributing reason for the higher inflation rate in this country. But it is hard to measure the extent to which Danish productivity development is really weaker than it is in other countries.

In addition public fees (for such things as telephone service, stamps and mass transit) were raised substantially at the beginning of the year. Finally, it has been claimed that employers used the employer payment changes at the beginning of the year to boost their profits. However, an analysis of price trends indicates that this factor has been greatly exaggerated by the press.

The main reason for the rising Danish inflation rate is undoubtedly the wage binge in 1987. It led to wage increases that were (and still are) much higher than those we have seen in most of the other countries.

### Consequences

Among the eight OECD countries that participate in the European Monetary System [EMS] cooperation on mutually fixed exchange rates, only Italy's inflation rate is (slightly) higher than our 4.7 percent today.

As the table shows, the other EMS countries (Germany, Holland, Belgium, Luxembourg, Ireland and France) now have a substantially lower rate of price increases than we have. This means that the buying power of the currency in these countries is eroding at a slower rate than the buying power of our krone.

If prices fluctuated freely on currency exchange markets, the inflation difference would automatically cause the exchange rate of the Danish krone to drift downward in relation to the currencies in the EMS countries. This is not happening now because there is an agreement to maintain and defend the exchange rates that have been mutually agreed on.

But if Denmark does not bring its inflation rate down to the EMS average soon the exchange rate of the krone that has been set will become increasingly unrealistic. Then Danish companies will find it more and more difficult to compete with companies in the other countries and Denmark will face a bleak future with regard to both employment and the balance of payments.

The new Danish government should restore the "spirit of 1982" and do what the newly-formed four-party coalition government did so courageously and correctly in the fall of 1982.

At that time the irresponsible labor contracts were dismissed and legislation was passed that imposed a temporary wage freeze (and suspended automatic cost-of-living adjustments). At the same time the upward adjustment of daily benefit payments was stopped—thus checking an important economic inflation factors.

### Industry Council Issues Warning

36130070 Copenhagen BERLINGSKE TIDENDE  
in Danish 27 May 88 p 1

[Article by Erik Bendt Rasmussen: "Industry Sounds the Alarm"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] Danish industry is languishing. Weakness, loss and domestic stagnation with declining employment are the words used by the Industrial Council to describe the current situation.

Industry is in deep trouble and is up to its neck in problems. That is the sober description of the business sector's situation in the Industrial Council's 1988 annual report. It cites weakness, loss and domestic stagnation as factors that are dragging the economy down.

This is the first time the Industrial Council has lashed out in an annual report at politicians who accuse industry of insufficient initiative.

"We are sending out a very clear message. Danish industry has been in deep economic trouble for almost 2 years. The surplus has declined sharply and the same thing is true of industrial investments, production and employment. The positive growth we had until 1986 has changed in a very negative direction," said Director Otto Christensen of Danisco, chairman of the Industrial Council's executive board.

The decline in competitiveness has led to considerable loss of market share on both export and domestic markets. Behind the decline, which amounts to 13 percent from 1985 to 1987, lies the drastic decline in the exchange rate of the U.S. dollar which hit Danish industry with extra force because Norwegian and Swedish currencies followed suit.

Industry's problems are also due to these factors: rising taxes, depressed foreign markets and a falling off of domestic demand that followed in the wake of the economic interventions in the spring and fall of 1986. All this has hit industry hard. Production has been stagnant in recent years and that has cost jobs, according to the Industrial Council.

### Record Drop in Competitiveness

36130070 Copenhagen BERLINGSKE TIDENDE  
in Danish 27 May 88 p 12

[Text] "Danish industry has been in economic trouble for almost 2 years," the Industrial Council stated in the written annual report it issued prior to next week's general meeting. The major problem cited by the council was a decline in competitiveness of no less than 13 percent from 1985 to 1987—the biggest decline we have seen in a 2-year period since 1945.

It is not in the power of Danish industry or the next government to restore the exchange rate of the dollar or cut wages to the 1985 level—two reasons for Denmark's poor competitiveness. But fortunately there are also steps that could improve conditions for the business sector and thus create more jobs. The changes in employer payments and the "export package" were steps in the right direction, but more are needed.

The Industrial Council has pointed out once again that industry is too small in relation to the public sector and that Denmark needs more big companies that can fuel industrial development. More concretely the council points out that "bringing Danish taxes—both business and personal—in line with international trends" is the prerequisite for a high investment level in Denmark's private business sector.

We hope that the newly-elected Folketing will pay more attention to industrial warnings than the old one. When Danish industry is in economic trouble, the politicians should be as concerned about it as they are about the problems of agriculture.

#### Central Bank Chief Comments

36130070 Copenhagen BERLINGSKE TIDENDE  
in Danish 4 Jun 88 Sec II p 16

[Interview with National Bank director Erik Hoffmeyer by Grimme; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] We are not on the brink of an economic abyss and we can borrow all the money we want to abroad, according to the director of the National Bank, Erik Hoffmeyer, who does not believe that EC's internal market will lead to the establishment of foreign financial institutions in Denmark.

[Question] How close is Denmark to an economic abyss?

[Answer] I do not think we are close to an economic abyss at the moment, although the big foreign debt is a very great burden.

Other countries trust us. Our steps to tighten up economic policy have inspired respect abroad. But the current production stagnation is very regrettable.

[Question] Does that mean we can still borrow all the money we want abroad?

[Answer] Yes, it does. There is no problem here. There was a period when we almost reached a point where we could no longer borrow money at reasonable rates. People in other countries did not believe we had the political resolve to impose the absolutely necessary economic austerity measures. But after the economic restrictions in 1986, foreign confidence in the Danish economy was restored.

And the reader should note that if there is any dispute about which economic policy is the wisest, there is general agreement that people in foreign financial circles listen more to Erik Hoffmeyer than to any other Danish banker.

Erik Hoffmeyer, 63 years old, is an institution in Danish monetary policy. He received a degree in political science in 1951 and started working for the Danish National Bank that year. After studying in both the United States and Denmark, Erik Hoffmeyer became an economics professor in 1959.

He became director of Bikuben in 1962, but in 1965 the National Bank brought him back as director. And he is still there. In other words he has more than 20 years of experience as the director of the Danish National Bank.

#### Raised Voices

[Question] Do Danish politicians know enough about economics?

[Answer] Yes, they do. The problem is not lack of understanding, but when economic austerity is needed it inevitably affects some interest groups and this creates complications for many politicians. People in all countries are familiar with the problem that political reality is often based on the reactions of interest groups.

The more agreement there is among politicians, the more austerity the public is willing to accept. It is unlikely that anyone would dispute this view, but it is hard to achieve this kind of important political agreement when there are eight or ten political parties.

[Question] Are you satisfied with the economic policy that is being pursued today?

[Answer] I agree that it would be wise to curb growth and wait for cost increases to moderate. If we had maintained lower cost levels in the past few years, we would be making more economic progress today.

[Question] The Norwegian OECD expert, Kjell Andersen, has suggested lower taxes and the elimination of interest deductions.

[Answer] The level of private savings is too low. There is no doubt about that. But I do not think we will achieve the savings level that is needed simply by adopting the two proposals in question. It is not that easy.

If anyone thinks our prosperity should be reduced, he should say so clearly. However, one must bear in mind that there is a very big difference between limiting progress and turning the clock back.

[Question] To what extent do you allow the government to direct your decisions?

[Answer] I think all the important monetary policy decisions have been made on the basis of what was objectively correct and necessary. One cannot say that monetary policy has been directed by one government or another. And if you are asking if cooperation has been—and is—good, then the answer is yes.

[Question] I seem to recall that you have been reprimanded on several occasions.

[Answer] It is only natural that people occasionally raise their voices when their nerves are on edge. But in reality there have never been any serious disagreements in connection with important decisions.

### Poor Management

[Question] What will the opening of EC's internal market mean for Danish financial institutions?

[Answer] I do not anticipate any important changes. I do not have the impression that there is great interest abroad in establishing branches here. One of the reasons is that we have an unusual number of banking institutions compared to the size of the population. One might almost say we have a surplus of financial institutions.

[Question] Why do you lack faith in a European central bank?

[Answer] If people were aware of the political decisions that must be made in connection with the establishment of such a bank, I think the discussion would die down very quickly.

I would like to point out in this context that the West Germans are calling for such a bank to be independent of national authorities and the EC Commission. This means that a national monetary policy could not be pursued. I cannot believe that a majority could be mustered for such a policy in the various national parliaments.

[Question] Let us look at Denmark again. Are the many bank scandals due to the fact that bank morale has become frayed at the edges?

[Answer] I do not know if scandal is the right word, but it is true that our experiences with the Krone Bank, the 6 July Bank and the C&G Bank are very disturbing. All three cases involved carelessness, lack of supervision—poor management. But I would like to emphasize here that we are talking about isolated instances. It would be quite unreasonable to use these three examples to bolster a general attack on Danish financial institutions.

### A Shame

[Question] Some people say that finances play far too large a role today.

[Answer] That is a very convenient way of putting it, but the sentence is much too vague. It is finances that place limits on an individual's opportunities for development in a great many areas, after all.

This applies to leisure time, trips, hobbies, just to mention a few examples. Finances are involved in satisfying needs, among other things, and this also applies to possible cultural needs.

If the people who say that finances play too large a role really think that people use their leisure time incorrectly, they should come out and say so. In this context, I think

it is a shame that so many people are more or less dependent on toxic substances. But I do not want to say any more about this, for I haven't the slightest interest in acting like a moralist.

[Question] Who is your bank adviser?

[Answer] My what?

[Question] Private bank adviser.

[Answer] My economic activities are so simple that I can look after them myself.

[Question] What do you do to get away from thinking about money?

[Answer] In the past I played tennis and went skiing a great deal, but today it is mostly music and reading. I like classical music best and when I read, it is often plays.

I would rather read a play than see a performance of one. It is easier to form one's own concept if one reads a play instead of seeing and hearing it. Reading is a purer experience. False notes can occur in a theater.

[Question] Are you looking forward to retirement?

[Answer] I guess I am, although it is certainly not something I am thinking about just now. Do I have specific plans? No—and if I had, I wouldn't reveal them.

### Industry Surplus Capacity

36130070 Copenhagen BERLINGSKE TIDENDE  
in Danish 6 Jun 88 Sec II p 6

[Article by Vogg Lowe Nielsen and Kristian Hjulsgaard: "Industrial Activity Still Inadequate"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] New industrial orders from the export market are still showing a positive trend. But a great many companies have ample capacity for even stronger growth in incoming orders.

The lower level of activity that was the result for Danish industry in 1987 seems to have become entrenched.

Although incoming orders from the export market have shown quite a nice development over a longer period of time, this is no longer enough to offset the continued decline in domestic demand.

If industry is to utilize the high capacity level that has been achieved through the quite respectable development of the production apparatus in recent years, it will require very large increases in the area of industrial exports.

In 1987 industrial sales, corrected for price development, fell by a good 3 percent. And sales in the first quarter of this year were at the same level as they were in the first quarter of 1987.

At the end of March the volume of orders, calculated in fixed prices, was a good 4 percent below the 1987 level for the same period. And new orders in recent months do not point to an immediate change.

The graph below shows the percentage change in new orders in 1987 and the first quarter of 1988.

Through most of 1987 and in the first quarter of this year there was a more positive development in new export orders than there was in total incoming orders and thus in new orders from the domestic market as well.

Total incoming orders (domestic market plus export market orders) are at a low level due to a clear decline in domestic demand, but increases in new export orders from the second half of 1987 which remained at a good level through the first quarter of this year pulled up the number of total new orders.

The figures in the graph are calculated on the basis of new orders in terms of current prices. Thus the graph shows the percentage change in the value of orders for individual months in relation to the same month the year before.

In the first quarter of this year as a whole, new export orders were 5 percent above the same period last year, while new domestic orders in the same period showed an increase of 1 percent in terms of current prices. This indicates an increase of 2 percent in total incoming orders.

New orders expressed in terms of quantity were not quite as favorable as the values suggest. The prices charged by the companies were almost 4 percent higher in the first quarter than they were in the first quarter of 1987.

If the index for incoming orders is deflated by the industrial price index—to express the volume trend—there is a decline of a good 1 percent in total incoming orders for the first quarter of this year compared to the first quarter of last year.

#### Expectations

According to the latest market barometer for industry, which covers development in this quarter, companies anticipate a substantial increase in production and new orders.

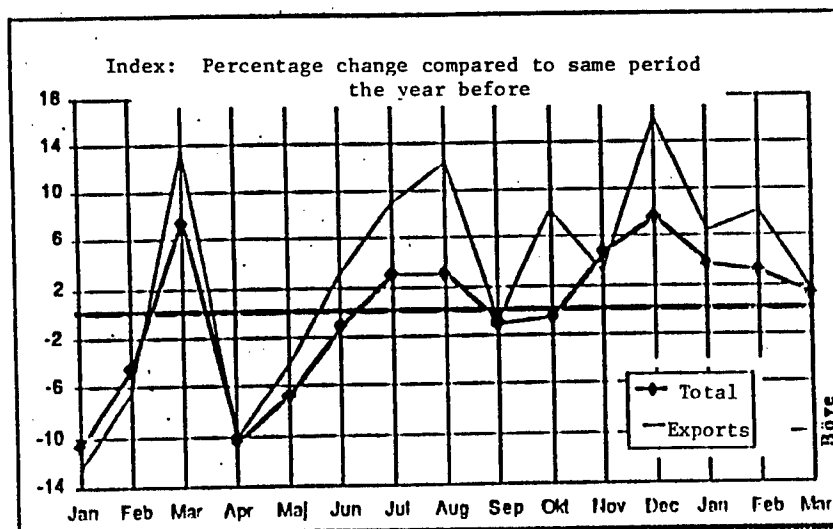
With respect to new orders, it is very positive that 30 percent of the companies expect an increase in new orders, while 12 percent expect a decline. And 58 percent anticipate new orders at the same level as the first quarter when corrections are made for normal seasonal variations.

**Investment Drops From 1987**  
36130070 Copenhagen *BERLINGSKE TIDENDE*  
in Danish 6 Jun 88 Sec II p 6

[Text]

#### Major Tendencies in Production and Investment

Total investments in 1987 fell back to the 1985 level and the decline is continuing in 1988.



The decline in domestic demand has had an obvious impact on total new industrial orders. For much of 1987 and the first quarter of this year, new export orders have shown a more favorable development than domestic orders.

In spite of a decline in new business vehicle registrations in 1987, the total fleet increased by 4 percent, in other words very few vehicles were scrapped.

There were declines in both building and plant investments and industrial production of investment products for the domestic market.

The indicators point to continued weak development in industrial activity. There are still gains in new export orders, but not enough to offset a declining domestic market.

Companies have a great deal of unused production capacity. Thus, there is room for an even stronger increase in new export orders.

At the end of March the order volume, corrected for price development, was a good 4 percent below the level at the same time last year.

#### Investment Decline in 1987 Continuing in 1988

Investments declined in 1987 and they are continuing to decline with undiminished intensity in 1988.

Total gross investments expressed in 1980 prices fell by 9 percent in 1987 compared to a growth of 17 percent the year before. This is the first decline for total investments since 1981.

As shown in the graph "Investments in 1986 and 1987," all the major groups noted declines with the exception of "other construction." The year before, on the other hand, there were increases in all groups.

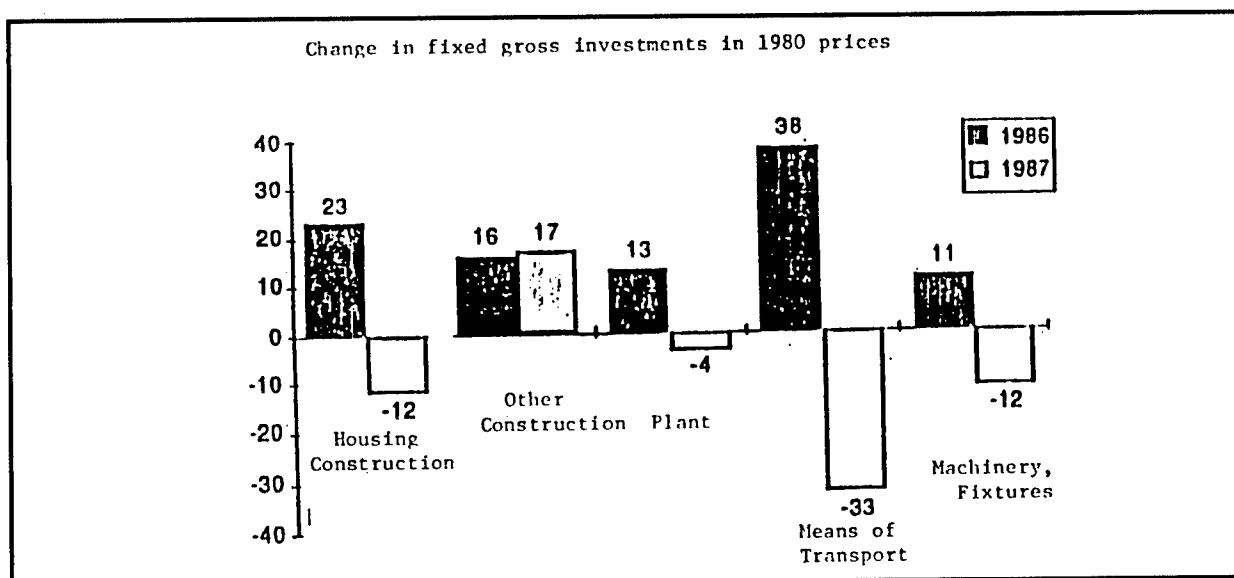
The sharpest decline (33 percent) was noted for the group "means of transport," which in contrast had the strongest growth (38 percent) in 1986. The main reason for the big shifts in this group is that in addition to trucks and delivery vans it includes ships and airplanes, where a few big individual transactions can affect the entire group. The reflagging of used ships from Danish shipping firms presumably contributed to the decline.

For most groups, however, the decline in 1987 was not large enough to outweigh the increase from the previous year, so that the total result for 1987 was still above the 1985 level.

#### Trucks and Delivery Vans

If we look specifically at developments in the business vehicle sector, the table [not included] shows that there was a decline across the board in 1987. The decline was greatest in the second half of the year and has continued in 1988. The strongest effect was on "large delivery vans," i.e., vehicles with a total weight of 2-3 1/2 tons. According to the table the rate of decline was quite constant for the other two groups—and this was also true in 1988.

In view of the general decline in business activity there is no sign that the downward tendency will stop at this time. The Danish Bureau of Statistics has just published the main figures concerning the size of the vehicle fleet on 31 December 1987. These figures indicate that the total fleet of business vehicles grew by 4 percent (around 11,000 vehicles) in 1987. This means that the new registration of 37,000 business vehicles led to the scrapping of only around 26,000 vehicles.



### Building and Plant Investments

The preliminary (and still fairly uncertain) square meter figures for construction activity in 1987 show a decline in the total volume of building permits, construction starts and completions. Only the number of square meters under construction has increased by 2 percent. The scattered increases within the different subgroups mainly involve multifamily houses (social housing construction), production buildings for agriculture (perhaps mink farms in particular) and administration buildings for private building owners (presumably pension funds and insurance companies building property intended for rental).

The same tendencies apply to the first quarter of 1988.

### Industry

The industrial market barometer for the first and second quarters of 1988 shows that investment products industries have a larger order volume than usual and that these are primarily export orders. On the other hand a decline in employment is expected in this group, but total industry has changed its investment plans in the first quarter in the direction of increased investments (4 percent). In line with this, industrial order and sales statistics for the first quarter of 1988 show a growth of 6 percent in new orders from export markets, while there was a decline of 6 percent in domestic orders for investment products industries with the exception of shipyards.

06578

### Oil Industry Dissatisfied With Government Energy Plan

36130064b Copenhagen BERLINGSKE TIDENDE  
in Danish 24 May 88 Sect III p 10

[Article by Hans Solholm: "Danish Oil for the Next 30 Years"]

[Text] Ninety percent of Denmark's oil consumption in the year 1995 will come from domestic production. But oil consumption will drop because the national energy policy includes the use of more coal. In 1987 Danish oil consumption was about 10 million tons and only half that amount of Danish crude oil was produced. At this rate, Danish oil reserves would last the next 30 years. By only 1995, consumption will drop to 7.6 million tons, 90 percent of which will be Danish oil.

Crude oil is made of small dead animals deposited on the ocean floor many millions of years ago. It was then "cooked" to form crude oil in the deep and stored in "pockets" of impenetrable layers. "Pockets" is not exactly the right word, since the oil is dispersed in more or less porous rock.

Oil varies considerably in composition from location to location. It cannot be used in the form in which it is extracted. It must first be processed in a refinery. Here it is separated into fractions in a so-called column. The fractions are further processed and mixed in various ways to form the finished products.

The three refineries in Denmark—Skelskor, Kalundborg, and Fredericia—produce fuel gas, gasoline, kerosine, gas and diesel oil, and fuel oil. More complex refineries in other countries produce a large number of petrochemical products.

In his book "Oil and Gasoline," author Jens Ingwersen states that, of 100 liters of the distillation product naphtha, it is possible to produce 21 shirts, 300 square meters of plastic wrap, 170 meters of water pipe, four beer cases, 21 jackets, four automobile tires, 13 bicycle tires and 17 inner tubes, or 200 pairs of pantyhose—and sufficient fuel oil to produce them.

### Danish Production

The Oil Industry Joint Representation has stated that of the 7 million tons of crude oil and the 800,000 tons of semifinished products processed at Danish refineries in 1987, 1.5 million cubic meters gasoline, 3.6 million cubic meters gas and diesel oil, and significant quantities of kerosine and jet fuel were produced.

Over 21 million tons of fuel oil was produced, of which 464,000 tons had a sulfur content under 1 percent and 1.64 million tons contained more than 1 percent sulfur.

### Criticism of Energy Taxes

The Oil Industry Joint Representation is dissatisfied with the existing energy plan, especially when it comes to energy taxes.

Since December 1985 the energy tax on gas oil used to heat homes and fuel oil for larger oil-fired furnaces has increased fivefold. The tax on coal is only half as high and there is no energy tax on natural gas.

It has been a conscious policy to promote the use of more coal than oil, because of a more reliable supply and fluctuating oil prices. But neither of these reasons still holds. The only hangup now is that it is expensive to convert from coal to oil.

A comparison with other countries shows that a cubic meter of gas oil in Sweden costs 818 kroner in taxes to the national government and there is no sales tax. In the Netherlands the government takes 428 kroner and there is a 20-percent sales tax. In Denmark the tax is 1,760 kroner plus a 22-percent sales tax. The Joint Representation says that this does not create equal conditions for obtaining the least expensive energy supply.



The Joint Representation admits that it may be wishful thinking, but it says that an initial drop in the tax on oil products to the same level as the tax on coal and a certain tax on natural gas (like the one that exists in Sweden) would be an important step toward equalizing taxes on petroleum products. The EC has recommended that this occur by the end of 1992.

09336

## FEDERAL REPUBLIC OF GERMANY

### Excise Taxes To Increase in 1989, 1991

#### Stoltenberg Announces Plans

36200144 Frankfurt/Main FRANKFURTER  
ALLGEMEINE ZEITUNG in German 30 May 88 p 13

[Article by K.B.: "Excise Taxes To Increase in 1989 And 1991. Stoltenberg Announces an Increase of DM5 and 3 Billion. Taxes on Oil Face No Drastic Increase"]

[Text] Bonn, 29 May—Minister of Finance Gerhard Stoltenberg has confirmed that he plans to increase excise taxes in two stages. He wants to raise DM5 billion in 1989 and an additional DM3 billion in 1991. He stresses, however, that there will be no marked tax increases on oil. He said: "I think it is better to spread the increase fairly over several taxes than to concentrate on just one." He added that the plan and its details still need to be discussed by the leaders of the coalition because until now, talks have only been of a preliminary nature.

Stoltenberg further issued the reassuring statement that in their tax and financial considerations, the government and the coalition leadership continue to rule out an increase in the value-added tax. He said that his recommended increase in excise taxes is connected to Germany's heightened obligations in the Common market, and that it remains within acceptable limits, when compared to the lowered rate of direct taxation for the years 1986-1990, which will net a total savings of DM50 billion.

When asked about a possible fee increase in unemployment insurance for 1989 because the Federal Insurance Commission is likely to run up a deficit, Stoltenberg said in a Deutschlandfunk interview that it is too early to tell, but that he and Minister of Labor Norbert Blum are discussing how to balance the Nuremberg Commission's deficit. At present, he said, it is best to wait until some concrete deficit numbers appear.

The amount of the deficit depends on next year's employment situation, says Stoltenberg, and he is optimistic in that regard. Another discussion topic with Blum is a common proposal about how to finance a planned pension reform. In preparation thereof, he is advocating a "certain increase in federal subsidies" for the pension insurance fund—beginning with the 1990's.

In regard to the deliberations about the 1989 federal budget, Stoltenberg said that spending increases are to be limited again to less than 3 percent. For 1988, he estimates a spending increase of about 2.5 percent. With respect to a projected decrease in subsidies for 1989, Stoltenberg said that he intends to bring certain subsidies up "for discussion." At the moment, however, high level talks with other ministers have not yet reached the point where he can decide anything specifically.

Stoltenberg said that he still aims to realize the cabinet's decision of reducing net borrowing for 1989 by DM10 billion. He assesses the new public debt for the current year at a scant DM40 billion—"possibly less, but not more." He does not share the SPD's prediction, made at the beginning of the year, that the new public debt could reach DM45 billion.

#### Consequences of Reform Discussed

36200144 Frankfurt/Main FRANKFURTER  
ALLGEMEINE ZEITUNG in German  
31 May 88 pp 13, 14

[Article by Carl Graf Hohenthal: "Tax Benefits Outweigh Tax Burden. Consequences of Tax Reform and Increase in Excise Taxes"]

[Text] Bonn, 30 May—Ever since the fall of 1982, when the current administration took office, tax reform has been its most important political project. However, it has not been easy "to sell" this important, political achievement to the people. Many still remain skeptical. Also, many listened when the opposition claimed that this reform only serves the rich. The announcement of an increase in certain excise taxes—including the tax on oil—has stirred up new commotion. Many believe that the government is about to take away what it has just given out. That is not quite the case, regardless of what the SPD, the Greens, and the trade unions claim.

During the first 2 years of its administration, the government lowered taxes by about DM8 billion. By reducing taxes on businesses and on capital, by shortening depreciation periods, and by introducing special depreciation terms for medium-size businesses and for research and development investments, the government succeeded in improving the tax situation to the point where the kind of economic up-swing could take place that has provided the basis for an ambitious attempt to reform taxes in three stages.

The first stage was enacted on 1 Jan 1986. It saved the taxpayer about DM11 billion. Families and lower income earners profited through increased tax exemptions for children, higher tax-exempt earnings, and a first flattening of the tax progression.

The second stage was enacted on 1 Jan 1988 and is to save the taxpayer another DM13.7 billion. Both stages combined will add up to a tax savings of DM24.6 billion. The most important tax reductions lowered taxable

wages and income—a savings of DM15.1 billion—and increased tax exemptions for children—a savings of an additional DM4.8 billion. Raising the level of basic exemptions adds another DM1.2 billion. Further tax easements amounting to DM1.2 billion are due to improvements in other basic exemptions and to special depreciation provisions.

This easement of the direct tax burden by DM24.6 billion is to be followed in 1989 by an increase in the indirect excise tax. The difference between direct and indirect taxes is significant in so far as direct taxes affect the income or profit of the taxpayer. Nobody can escape them, while indirect taxes, such as the value-added tax, the oil tax, the tax on cigarettes and liquor are mainly geared toward the spending of income, thus the citizen can prepare for these taxes by modifying his behavior as a consumer.

The decision for an increase in excise taxes was made as early as 7 Jan 1988, after it had become clear that the new public debt was to increase to about DM40 billion and that Bundesbank profits would be slim. Furthermore, Bonn has to transfer to the EC an additional amount of about DM4 billion. In 1989, this sum will increase to about DM5 billion, and in 1991 to approximately DM8 billion. In an effort to lower net borrowing for 1989 by at least DM10 billion, the government decided to cut subsidies and to raise certain excise taxes. Decisions are expected by the end of June, so that the cabinet will be in a position to come up with details by 7 July. One thing is certain, there will be no increase in the value-added tax—that much has been cleared with the coalition. But Stoltenberg wants to slightly raise several other taxes. He has not yet decided, however, which tax to raise by how much.

At present, Bonn is discussing two different tax models. The first would raise excise taxes in two stages—in 1989 by DM5 billion and in 1991 by an additional DM3 billion. The second model would raise taxes in one step by about DM7 to DM8 billion. Stoltenberg seems to favor the two-stage model, but there are strong forces within the Union and among the Greens, who prefer the one-stage model for political reasons. Decisions are also pending in the matter of cutting back subsidies.

This increase in the tax burden will be followed on 1 Jan 1990 by the third—and for the taxpayer the most important stage of the tax reform. The cabinet decided on its implementation on 22 March and it will grant taxpayers an additional tax relief of DM20 billion. Taken together, it means, that during the years 1986-1991, taxpayers received a tax relief of about DM45 billion as compared to an increase in the tax burden of about DM8 billion. Thus, the taxpayer comes out ahead in any case.

## FINLAND

### Paper Examines Proposal for Long-Term Credits in USSR Trade

36170081b Helsinki HELSINGIN SANOMAT  
in Finnish 27 May 88 p 2

[Editorial]

[Text] We will inevitably be faced with new payment arrangements in Finnish-Soviet trade. Cheap oil has drastically reduced imports, substitute imports have not been found, and Finland's exports have not fallen off correspondingly. Unpaid export accounts amount to more than 5 billion markkas so that a solution cannot be delayed much longer.

Director Pekka Korpinen of the Workers' Economic Research Institute has proposed that export debts be converted into long-term exchange credits. A long-term credit would alleviate the reduction schedule agreed upon for trade with the East, which is unreasonably tight in Korpinen's opinion. The credit would certainly also be a help for the near-term dismal prospects for the shipyards.

Korpinen's thinking is not new. It is, however, more detailed than previous proposals and is one alternative to be considered in thinking about a solution. The problematical payment issues are currently being deliberated in the work group established for the Finnish-Soviet Economic Commission, but official proposals have not yet been made on one side or the other.

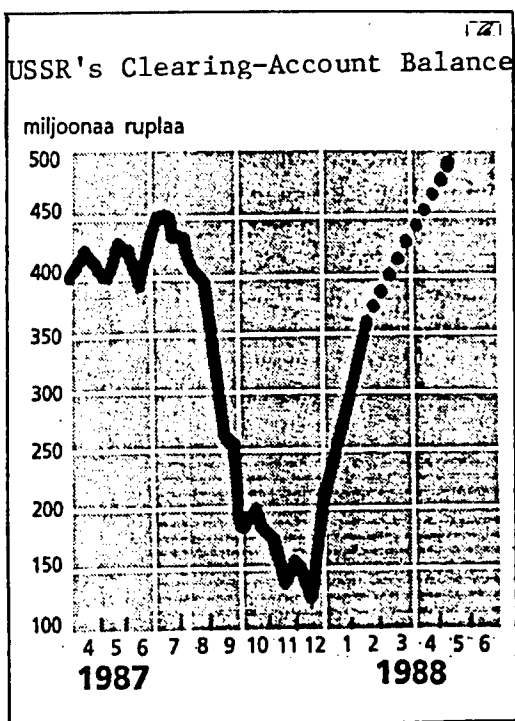
Korpinen proposed that 500 million rubles be converted from the clearing-account into a 10-year credit and that the credit be tied to the special drawing rights or SDR-units, which were created by the International Monetary Fund and whose basis is the five most important currencies.

An interest-bearing credit system in Soviet trade would be in accordance with normal trade procedures. The payment account or clearing-account of Soviet trade has presently turned into a non-interest-bearing credit account. Unpaid export accounts already amounting to 3.4 billion markkas have accumulated in the account which Korpinen would like to convert into credits. In addition, a couple billion markkas of older export accounts or debts are in a separate account, whose amortization should begin next year.

The Finns as well as the Soviets have emphasized the retention of the clearing-account as the basis of trade for the time being, but have admitted that other payment arrangements parallel with it are also necessary. This would raise the presumption that the clearing-account be converted into an interest-bearing account in the opinion of the Finns.

In order to improve the payment system, proposals have been made for either long-term credits or a requirement

that deficits incurred beyond the present credit limit set in the clearing account—300 million rubles—be bought into balance at specified intervals. This is necessary because of the price of oil alone. For example, at this time the clearing-account's credit limit has been exceeded by quite a lot since Finland's export accounts receivable are approximately 500 million rubles.



Accounts receivable in Finland's clearing-account amount to 500 million rubles or 3.4 billion markkas.

How the value of the export accounts receivable is to be protected against possible fluctuations in the exchange rate is also important from Finland's point of view. The Soviet Union is planning to implement an exchange rate policy. If the ruble is made in to a convertible currency—as the Soviet Union has announced—sometime in the 1990s, the clearing account will disappear automatically. It may remain the basis of trade until that time, but it is no longer sufficient by itself.

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#### Industries Confederation Chief Ehrnrooth on Government Policies

36170081a Helsinki HELSINGIN SANOMAT  
in Finnish 1 Jun 88 p 37

Article by Hannu Leinonen]

[Text] Industry, which is criticizing the preparations for tax reform, will not be very easy to silence, says Casimir Ehrnrooth, chairman of the Confederation of Industries.

"Behind our position is a clear thought structure, which we will continue to stand behind. Industry's positions are not provocative. There is no reason to accuse us of politicking."

The dispute between government and industry, which began a year ago in connection with government negotiations, will become even more aggravated as tax reform progresses.

Last Friday, the government's Ministerial Committee on Economic Policy visited the Confederation of Industries to become familiar with the organization's most recent cash flow report. The atmosphere at this meeting was characterized as icy.

The Conservative Party, in particular, has been subjected to the criticism of the industrialists. The have characterized the largest bourgeois ruling party primarily as an errand boy for the Social Democrats.

Ehrnrooth says that he committed an error in just criticizing the Conservative Party since he should have talked about the government's bourgeois majority, including the RKP [Swedish People's Party] and the SMP [Finnish Rural Party]. "There are no other regrets."

The Conservative Party, on the other hand, is angry with industry since industrial advisors are interfering with the reform of marginal tax rates, which also affects the average citizen.

"We are now clearly waging a major battle against a great injustice," states Ehrnrooth in characterizing the tax debate. "It is especially rewarding to tell the people that corporate taxes will be increased and the burden of individual citizens will be alleviated."

#### Conservative Party Confusing Concepts

The Conservative Party has declared itself to be a wage earner's party in the manner of the Social Democrats. Ehrnrooth believes that the party's concepts have become confused.

"I have never understood that there is a division in society into wage earners and others. What struggle prevails between them?"

According to Ehrnrooth, a completely different situation can be observed everywhere else.

"There is no longer any conflict between labor and capital. The fact that the success of an enterprise is the lifeblood of a wage earner comes through in all debates. It is in the interest of everyone that economic policy be reasonable. It is not even in the slightest degree an ideological question.

"If the intent is to increase corporate taxes, reason must also prevail. Careful consideration must be given to what degree the opportunities allowed by the allocation system, for example, will be restricted."

According to Ehrnrooth, industry is proceeding from the premise that the fundamental purpose of tax reform is to stimulate commerce and industry and improve its activism. "Equality and similar points of view are not of primary importance to us."

Industry is annoyed by the fact that the government has been unwilling to discuss the content of the tax reform in advance with anyone except its own experts. Many individual points are in need of airing.

In Ehrnrooth's opinion, the measures to be adopted in the reform of the taxation of capital income go only halfway since savings accounts will retain their advantage compared with dividend incomes.

Limiting the involvement of industry to corporate taxation would be illogical in Ehrnrooth's opinion. "Industry cannot just practice a narrow surveillance of its own interests. It must also become involved in the marginal tax rate reform, which is an exceptionally important decision from the point of view of the national economy. If tax tables go sky high, it will not have any positive significance from the point of view of the national economy."

In the opinion of industry, the structure of tax reform is not correct unless it increases growth.

"In order to get people to become interested in their work and procure additional earnings, they must be stimulated. A high tax on additional earnings is not a good incentive."

According to Ehrnrooth, in Europe, generally, half of additional incomes at the highest is given to the state.

Both industry and government have in recent months been concerned about the enhancement of the appeal of jobs in society's so-called closed sector or the state and municipalities. According to Ehrnrooth, it is high time to find means by which people are enticed to the "motor side" of the economy.

#### **Ideologists Opposed**

The preservation of the property and wealth tax is an ideological question for the Social Democrats. According to Ehrnrooth, the wealth tax is also an ideological burden for entrepreneurs.

"We do not understand why the government's bourgeois members do not think about owner-entrepreneurs who would certainly be for a tax on profits from sales proportionate so that the 150 million collected annually in wealth tax could be abolished. We would be free of the wealth assessment, which has been arbitrary."

According to Ehrnrooth, the government has repeatedly declared that large Finnish enterprises do not pay taxes at all.

"This, however, is not the result of skillful tax planning or chance. Enterprises do not pay taxes since the laws enacted have been inevitable from the point of view of economic stimulation. Without them, for example, enterprises in the construction industry would have failed one after another."

Ehrnrooth points out that enterprises pay for society's social security by means other than direct taxes.

"Enterprises make social security and pension payments. In addition to these payments, the hidden sales tax also represents a considerable sum. It is true that the amount of income tax paid by enterprises to the more than 12-billion tax pool is rather small."

In Finland, it is calculated that the gross national product must be increased 3.5 percent annually in order to meet future pension responsibilities. Industrial production must increase 4 percent and exports 5 percent. This goal will be difficult if additional burdens are placed on an expanding industry according to Ehrnrooth. All incentives may be necessary.

"It is not the work of a fool," Minister Ulla Puolanne, a Conservative, has said. A forceful criticism of the present corporate tax is reflected in the tax minister's speeches. Except for a few loopholes, the present tax laws are "well thought out and stimulative."

A plan to change the position of tax-free charitable foundations has been attached to the tax reform proposal. This is an ideological question according to Ehrnrooth.

"It would be an outright scandal if bourgeois ministers and the parliament's bourgeois majority were to approve changes in the position of foundations. We know and even they (bourgeois members) should know that the foundations are on the Social Democrats' hit list."

Industry supports the activities of the foundations since they are significant owners of large industry. The Abo Academy Foundation is among the ten largest owners of Ehrnrooth's company.

"I would get the axe if I do not remember the affairs of my owners."

## NORWAY

### ARCO Norway Official Criticizes Government's Gas Policies

36390070 Oslo AFTENPOSTEN in Norwegian  
18 May 99 p 2

[Article by Trygve Tamburstuen, ARCO Norway administrative director: "Gas Deliveries Can Be Doubled"; last paragraph is caption of photo not reproduced]

[Text] The Prime Minister's political emphasis at the Nordic Council on the desire to develop a Nordic gas market was of particular importance. The Conservative, Center, and Christian People's party factions in the Storting's Industrial Committee later requested that the government lay out a joint Norwegian gas strategy. The timing was well-chosen because, in the course of the coming months, the government and the Storting will need to reach important decisions of principle concerning questions which have to do with the sale and utilization of Norwegian natural gas. In this connection, it is important that we, as a nation, attempt to develop a joint gas strategy for the next decades.

The development of such a joint strategy will have to take a number of circumstances as its point of departure: resources, established and potential new markets, transportation solutions, environmental conditions, prices and organization.

First, some facts:

—West Europe's overall energy consumption is growing, and a growing part of total consumption is being covered by natural gas (15 percent in 1985, as compared to 2.5 percent in 1965).

—Norway's share of the total gas deliveries to West Europe is increasing only very weakly, based on contracts that have already been concluded (while the Soviet and Algerian shares are growing).

—Total natural gas exports from Norway, again based on concluded contracts, will first decline from the present level early in the 1990's before later increasing to a level a little lower than today's. If we are to be able to increase overall Norwegian gas exports, we must, therefore, obtain new large contracts.

### New Thinking

The gas reserves, we have. The challenge is to commercialize the large resources on the Norwegian shelf. Far-reaching new thinking will be required to achieve this.

The Norwegian gas export figures today total approximately 25 billion cubic meters. The Norwegian market share is about 11 percent of the continental European market and is about 24 percent of Great Britain's market.

If we assume a moderate market growth and a future Norwegian market share in these two main markets of 20 and 25 percent respectively, this will come to approximately 40 billion cubic meters around the year 2000, or 60 percent more per year than today.

### New Possibilities

There is an interesting structural change taking place in the British energy market today, which may give Norwegian suppliers new possibilities in the middle of the 1990's.

The privatization of the electric power industry is the most important single element in this picture. In order to promote increased sales to the Continent, it is possible that we will have to accept a further integration between the buyer countries and Norway, with companies in the buyer countries being allowed licenses on the Norwegian shelf and with the buyer countries sharing investment and owner interests in the principle transport nets. A possible countermove from the Norwegian side may be to seek to buy our way into transportation networks within the buyer countries.

### The Nordic Area

The Nordic market that is being developed can be expected to add another 10-20 billion cubic meters to this amount. Denmark, Sweden and Finland are possible markets for Norwegian gas, in addition to the domestic one. Price will be decisive for how much gas we can find customers for in these nearby markets but, in addition to this, there are authoritative political assessments of the type which the prime minister used as a basis for her contribution in the Nordic Council.

Probably it will lead to a more rapid opening of the Swedish gas market if we, for example, invite Swedish interests to come in on the ownership side both transportation systems, power plants, etc., Swedish interests could, for example, play a 50-percent role in a pipeline system from Central Norway to East Norway and in a gas power plant in the border areas.

Buyers must perceive long-range security, as one their motivations for entering into purchase agreements.

### The Norwegian Market

A Norwegian market is possible, both for the production of electricity and for industrial purposes. For a Norwegian industrial gas market, it is important that we develop an organizational pattern which stimulates industry to convert to the use of gas. Giving a sales monopoly to a communal power plant on the local and municipal level does not seem to be an appropriate structure.

An important political choice now, when we will be working more intensively to market gas within the country and in the rest of the Nordic area, is the choice between delivery sources. It is important, I think, to keep in mind that, if North Sea gas is selected for a first export contract to Sweden, development of the Halten Bank gas fields will have to be pushed a good way into the future.

#### **A Buffer Producer**

On the other hand, if the decision is made to lay a gas pipeline overland from Central Norway to the Oslo Fjord region, this will provide an opening for a significant build-up on the Halten Bank and, simultaneously, will create a basis for greater flexibility in our entire delivery pattern. Then the Troll field can be utilized as a very long-range strategic buffer producer in the North Sea. (The same can happen with an alternative pipeline at sea between the Halten Bank and the North Sea.)

The building of a pipeline from Central Norway to the Oslo Fjord region is one of those kinds of strategic decisions which cannot be made solely on the basis of short-term domestic considerations, but must, among other things, be assessed in terms of opening markets which will defer the day when an infrastructure is laid.

The menu of political decisions regarding Norwegian natural gas development during the next 12-15 months is, therefore, an abundant one. If we are able to clarify these questions in a constructive way in the course of the next few years, Norwegian gas deliveries could be double what they are today, including an interesting domestic market.

Caption of Tamburstuen photo notes that, by virtue of his qualifications as a former state secretary in the Oil and Energy Ministry, he knows the problems tied to utilization of Norwegian natural gas reserves from both sides of the negotiating table.

13032

## **PORTUGAL**

### **Economy Seen Recovering: Consumption Rises**

35420094 *Lisbon EXPRESSO in Portuguese*  
4 Jun 88 p 4E

[By Francisco Meiro]

[Excerpt] The economy is recovering. Industrial production is increasing again, consumption is at a higher level than had been thought, and investment continues strong, already forcing analysts to review their forecasts. Inflation, however, is still a discouraging factor. Under these circumstances, the improvement in business activity in industrialized countries is not enough to keep our exporters from feeling relatively disheartened when they look at the status of their order books. However, both

remittances from overseas Portuguese and tourist revenues are going well, as are entries of community funds, and this should be sufficient to ensure equilibrium in the current accounts balance at the end of this year.

The trend in consumption does indeed continue to surprise people. Confirming what was already known about the rise in sales of gasoline and automobiles, INE's survey of businessmen reveals that wholesale sales during the first quarter kept pace with those of the three previous months, and retail sales even experienced an acceleration. Foods and beverages, home appliances, and automobiles were the leading contributors to this trend in consumption.

Portuguese industrial producers of consumer goods are still circumspect in their opinions about the future, which could mean they anticipate a strengthening of the imported component to the detriment of domestic production.

Given the recent softening in the rise in wages, the high level of consumption must have caused some decrease in family savings. There may be a lag in consumer adjustment to the more gradual increase in their paychecks, and the liberalization of vehicle imports may perhaps explain the momentary boom in car sales. This seems to be the way the retail businessmen see things as they predict slower progress during the second quarter.

#### **Import Savings Only on Petroleum**

Sales of machinery by wholesale dealers provide indications similar to those obtained from the industrial producers of such goods. Just as in 1987, when official forecasts for gross fixed capital formation were changed from 10 percent at the beginning of the year to 20 percent at year end, it is natural that the results of these surveys force similar revisions to be made this year. The most recent calculations from the Bank of Portugal already point toward a rise of 12 percent for 1988 instead of the 8 percent suggested in the Major Planning Options. Even this adjustment is overcautious when we consider that the latest INE survey of investment indicated a new gain of almost 20 percent in gross formation of fixed capital.

This new vigor in domestic demand is likely to aggravate the balance of trade. The only sure way that savings can be made on imports this year will be by reducing the volume of petroleum imported. This may be possible, because of the high water level in the reservoirs at hydroelectric power plants and the EDP's option to import electricity rather than producing it by burning fuel. But it is foreseeable that prices of raw materials and the listlessness in exports may inflict more punishment on the trade balance than had been assumed.

Little is known about the behavior of exports during this first part of the year, due to persistent difficulties with the European community's adoption of a common

nomenclature for foreign trade. Meanwhile, business opinions indicated that there are fewer orders on the books than usual, a trend that was still intensifying at the end of April. Despite this, the current accounts balance showed a favorable balance of \$182 million in January, considerably better than the \$48 million of the previous 12 months. With the expected entries of Community funds, and if remittances by expatriates and tourism revenues maintain their present vitality, it is likely that the current accounts balance will be positive at the end of this year.

### Inflation Goal Jeopardized

Inflation, meanwhile, continues higher than expected. Even if prices had been frozen during the final days of April, inflation would still have reached an annual rate of 7 percent, and this is bound to go up when companies implement their traditional updating of prices. Foods and beverages are playing an important role in dampening the inflationary fires, but the remaining products, whose prices are not administered, are making little or no contribution to this effort. Businessmen also say that the recently achieved decline in the rate of inflation has cut into their profit margins.

Industrialists have expressed less optimism concerning their expectations of the trend in their sales prices than they did a year ago. This is contrary to what one would have predicted in light of the moderation in wage increases and the productivity gains that have occurred. The significant rises in the prices of raw materials are said to be behind this situation. And, if there is continued pressure on prices, it will become even more difficult

to achieve something close to the proposed inflation goal. Even the effect of the recent decline in interest rates could be substantially minimized.

### [Boxed material]

At the end of April, the economy had resumed the favorable trend which had been interrupted early in the fourth quarter of 1987. Industrial production continued to recover, although at a more moderate pace—which was explained by less vigorous demand for domestically-produced consumer and intermediate goods and by a persistent slowdown in foreign demand. The excellent level maintained by demand for equipment goods emerged as the most positive counterpart to the recovery of the volume of industrial orders.

The prospects for production are even better. Businessmen, however, see them as insufficient to prevent a slight drop in industrial employment during the second semester. As for the trend in industry sales prices, the forecasts continue to be situated at a higher level than they were a year ago.

Confidence among Portuguese consumers is still receding.

At the Community level, the economic climate continues buoyant. The unemployment rate held steady at about 10.4 percent of the total active population, except for the United Kingdom and, to a lesser extent, France and Belgium. Inflation showed a slight tendency to accelerate in the four most industrialized countries of the EEC.

Indicator	Quarter Ending		Quarter Ending		Trend
Economic Climate (Expresso)	Mar. 88	106.1	Apr. 88	111.0	•
Consumer Confidence (Eurostat) (1)	Jan. 88	0	Feb. 88	-3	—
Economic Climate, Europe (Eurostat) (1980-1986)	Jan. 88	102.7	Feb. 88	102.7	•
Industrial Production (1)					
(INE)	Mar. 88	+ 11	Apr. 88	+ 11	•
Consumer Goods Demand (1)	Mar. 88	0	Apr. 88	+ 1	•
(INE)					
Demand for Equipment (1)	Mar. 88	+ 11	Apr. 88	+ 8	•
(INE)					
External Demand (1)	Mar. 88	- 5	Apr. 88	- 8	—
(INE)					
Expectations for Next 3 Months, Expressed in the Month of					
Outlook for Production (1)	Mar. 88	+ 11	Apr. 88	+ 18	•
(INE)					
Employment Outlook (1)	Jan. 88	- 2	Apr. 88	- 4	—
(INE)					
Outlook for Sales Prices (1)	Apr. 88	+ 18	Apr. 88	+ 24	—
(INE)					

(1) Balance of extreme responses, values seasonally corrected

[Boxed material]

Indicator	Quarter Ending		Quarter Ending		Trend
Industrial Production (percent of increase)	Dec. 87	-0.8	Jan. 88	3.2	•
Construction ('88 - 100) (sales of steel/cement)	Mar. 88	120.3	Apr. 88	130.2	•
Electricity Consumption (percent of increase)	Mar. 88	8.1	Apr. 88	6.3	•
Labor Market (Expresso) (supply/demand)	Mar. 88	100.2	Apr. 88	97.5	—
Inflation (percent of increase)	Mar. 88	8.8	Apr. 88	8.4	•
Exports (Expresso) (percent growth)	Dec. 87	17.9	Jan. 88	13.0	—
Imports (Expresso) (percent growth)	Dec. 87	28.3	Jan. 88	18.0	•
Net Assets in Hands of the Public (% growth)	Dec. 87	8.2	Jan. 88	6.1	•

Industrial production showed significant recovery during the month of January, greater than one would expect after listening to businessmen. Construction activity proceeded in a favorable atmosphere, given the excellent level of orders from Public Works. Energy consumption remained at a fairly intense level.

Despite the less optimistic expectations as regards industry, the outlook for second-semester employment generated by industry and by construction and commerce—about 70 percent of those working for others—was still favorable. The figures for the April labor market suggested that not enough new jobs were created to compensate for the increase in the number of people seeking work.

Inflation continued, although less briskly, with a growth of 8.4 percent for the quarter ending in April.

12830

## SPAIN

### Poll Results Contradict Minister's 'Tax Fear' Statement

35480091c Madrid DIARIO 16 in Spanish  
12 Jun 88 p 14

[Text] Madrid—Half of Spaniards feel some sort of "tax fear," according to an emergency opinion poll conducted by the firm Sigma Dos. The survey was commissioned by DIARIO 16, and was taken last Thursday and Friday.

Respondents over the age of 18 were interviewed throughout the nation, and their answers contradict the emphatic statement made by Minister of Economy and Finance Carlos Solchaga before the Congress of Deputies last Wednesday, to the effect that "95 percent of Spaniards haven't the slightest fear of taxes."

According to the data obtained by Sigma Dos, only 47.7 percent of Spaniards have no fear of the action taken by the government's fiscal agencies, specifically the Finance Ministry. The rest, subtracting the 2.1 percent who expressed no opinion, feel some degree of fear (see Table 1).

Those who claim to feel "much" and "substantial" fear represent nearly a quarter of Spaniards, and another 25 percent feel "some" or "a little" fear.

These percentages, however, indicate that the proportion of "fearful" respondents is much greater among those who regularly file income tax returns. Sigma Dos conducted its survey among people older than 18, without distinguishing between those who do and do not file income tax returns. Approximately 8 million people, just under 1/3 of those over the age of 18, have filed tax returns this year. This figure suggests that the vast majority of taxpayers go through the income tax procedure with trepidation about the action to be taken by fiscal agencies, specifically (as stated in the question) the Finance Ministry.

The percentage of the national total is practically the same as that obtained among those who voted for the Spanish Socialist Workers Party (PSOE): 53.4 percent contradict the Socialist minister by saying that they do feel what the minister himself has called "tax fear."

Sigma Dos' figures on responses to this question are confirmed by the answers to the second question, which asked whether or not the respondents agreed with Minister Solchaga's assertion.

Half of those interviewed rejected the minister's words, claiming that it is not true that 95 percent of Spaniards have no tax fear. One in three Spaniards (33.6 percent) rejects this assertion out of hand, while one in six (16.1 percent) agrees with it "a little."


Only one in ten Spaniards (11.5 percent) agrees with the minister's words and says that Solchaga's statement is very true. Another third of those consulted agree "substantially" or "somewhat" with the minister.



## CUADRO 1: TEMOR FISCAL (1)



How much fear do you have of the action of the government's fiscal agencies, specifically, the Finance Ministry?

		(2)	(3)	(4)	(5)							
	Total %	Hombre %	Mujer %	18-29 años %	30-44 años %	45-64 años %	+ 65 años %	Recuerdo de voto al Parlamento Europeo %				
									PSOE	AP	CDS	IU
Mucho (6)	11,9	14,3	9,7	13,5	10,0	10,4	15,7	14,0	13,1	7,8	3,6	8,4
Bastante (7)	12,4	10,4	14,3	7,5	16,2	15,3	8,1	12,1	17,2	5,3	16,2	14,5
Algo (8)	13,2	12,0	14,3	10,8	17,8	10,6	14,0	7,9	22,6	13,9	8,4	21,5
Poco (9)	12,7	11,5	13,9	10,9	15,5	14,1	8,3	19,4	7,4	28,4	7,6	10,7
Nada (10)	47,7	49,6	45,9	55,3	38,1	48,9	49,3	46,6	39,0	41,3	64,2	39,7
NS/NC (11)	2,1	2,2	1,9	1,9	2,5	0,6	4,6	0,0	0,8	3,3	0,0	5,2

## CUADRO 2: LA DECLARACION DEL MINISTRO (12)

The minister of economy and finance has stated in Parliament that "95 percent of Spaniards haven't the slightest fear of taxes." To what extent do you believe that this assertion is true?

	Total %	Hombre %	Mujer %	18-29 años %	30-44 años %	45-64 años %	+ 65 años %	Recuerdo de voto al Parlamento Europeo %				
								PSOE	AP	CDS	IU	CiU
Mucho (6)	11,5	12,7	10,3	10,1	13,5	14,1	5,0	19,6	10,2	4,4	1,4	0,0
Bastante (7)	16,4	19,2	13,7	10,1	22,6	17,1	15,0	29,4	9,2	13,6	8,1	9,3
Algo (8)	17,7	13,8	21,6	19,3	17,3	17,0	17,4	15,1	15,1	25,3	23,2	26,0
Poco (9)	16,1	15,5	16,6	15,2	14,6	16,9	18,5	10,8	15,7	34,3	28,7	37,1
Nada (10)	33,6	34,4	32,8	41,1	28,6	32,1	32,7	22,3	47,8	14,7	30,5	27,7
NS/NC (11)	4,7	4,3	5,1	4,3	3,3	2,8	11,5	2,8	1,9	7,7	8,1	0,0

Key:

- |   |                                   |
|---|-----------------------------------|
| 1. Table 1. Tax Fear                                    | 9. A little                       |
| 2. Men  | 10. None                          |
| 3. Women  | 11. DK/NR                         |
| 4. 18-29 years  | 12. Table 2. Minister's Statement |
| 5. Recall how voted in European Parliamentary elections |                                   |
| 6. Much   |                                   |
| 7. Substantial  |                                   |
| 8. Some   |                                   |

As could be expected, the finance minister of the Socialist government finds his greatest support among PSOE voters: two out of three of them support his statements, while 33.1 percent claim that they agree with them "a little" or "not at all."

A majority of those who voted for the Convergence and Union (CiU), 64.8 percent, disagree with the finance minister. Similarly, 63.5 percent of those who voted for the Popular Alliance (AP) and 59.2 percent of United

Left (IU) supporters express disagreement. There is less discrepancy among Democratic and Social Center (CDS) voters, although 49 percent of them also disagree. This is a far higher percentage than that found among rank-and-file PSOE voters.

### Technical Data

Universe: People over the age of 18. Environment: Spain. Sample: 800 interviews, with a possible error of 3.5 percent, for a confidence level of 95.5 percent (2

sigma) and  $p/q = 50/50$ . Selection: random, based on the system of quotas by sex, age, and profession. Interviews: personal. Date of field work: 9 June 1988. Conducted by: Sigma Dos, S.A.

08926

**Poll Reflects Views on Bank Mergers**  
*35480091b Madrid DIARIO 16 in Spanish*  
*13 Jun 88 p 45*

[Text] Madrid—Thirty-nine percent of Spaniards have a favorable attitude toward bank mergers, while 13 percent of them oppose them. The remaining 47 percent said they did not know or had no response in a recent survey conducted by the Center for Sociological Research (CIS). Europa Press has obtained the results of that poll.

According to the survey, 36 percent of those interviewed believe that bank mergers are unacceptable because jobs will be lost as surplus employees are let go. This assertion was denied by 23 percent of those interviewed, while 41 percent answered "don't know" or "no response."

Fifty-two percent of Spaniards feel that it is a good idea for the banks to join together and increase their size so that they can compete with the Europeans; 11 percent disagree with this notion.

The survey also asked Spaniards their opinion of the banks' power. The idea that the banks have too much power and should not gain any more was expressed by 23 percent of the respondents; 33 percent, on the other hand, disagreed with this opinion, while 45 percent did not know or had no response.

Regarding customer service, the poll reveals that 41 percent of Spaniards believe that the larger the banks become, the better the services they will provide to their customers. Eighteen percent disagreed with this assertion.

Another part of the study pointed out that 58 percent of Spaniards think it is likely or very likely that within a year or two there will be new merger attempts by some of the major banks. Five percent consider this possibility unlikely or very unlikely.

Finally, the interview turned to people's opinion of the position the government should take on possible bank mergers. Eighteen percent of Spaniards feel that the Executive should never intervene in such matters.

Twenty-one percent believe that the importance of the banking sector to the economy dictates that the government should always intervene in possible mergers between banks, while 28 percent stated that the government should only intervene in extreme cases, when the merger could result in serious problems for the economy.

08926

**Economic Policy Said Influenced by Poll Findings**  
*35480091a Madrid DIARIO 16 in Spanish*  
*12 Jun 88 p 76*

[Text] Madrid—The government shows more concern for businessmen than for workers, according to the results of a survey conducted by the Center for Sociological Research (CIS) during the first quarter of the year.

Only 4.6 percent of those interviewed feel that the government cares more about workers, while 62.3 percent think it cares less; nearly 14 percent believe it is doing what it should. A total of 2,492 people were interviewed in the sample.

In contrast, the government's efforts in favor of businessmen received more positive responses (30.8 percent) than negative (19.9), although the range is much narrower than in the section dealing with workers.

One noteworthy item in the CIS poll is that unemployed workers have a better opinion (5.3 percent) of the government's concern for workers than do their employed counterparts (5.1 percent). This trend can be seen on the other side of the coin as well; 66.7 percent of unemployed workers feel that the Executive is less interested in them than before, compared to 69.3 percent of active workers.

The most favorable opinion of the government's work comes from small businessmen and company executives, who believe that the administration is more sensitive to workers' concerns (7.7 and 7.2 percent, respectively).

When broken down by income, those who earn between 50,000 and 75,000 pesetas a month feel that the administration is most concerned about workers, while those earning more than 75,000 pesetas are on the opposite end (4.4 percent).

As for political affinities, 6.4 percent of those who voted for the Spanish Socialist Workers Party (PSOE) in the last elections stated that the government showed greater interest, compared to 57.5 percent of voters for that party who felt the opposite.

The most critical opinion seems to be shared by those who voted for the United Left (IU) and the Democratic and Social Center (CDS). Only 3 percent of those who belong to the leftist coalition expressed favorable opinions of the government, and more than 90 percent of them stated that the government's labor policy shows less concern for the workers.

The policy of support for businessmen found a more favorable response among unemployed workers (45.8 percent) than among wage-earners (33.8 percent).

This CIS poll reveals a certain corporativism when it reports that 24.6 percent of business executives and 28.8 percent of small businessmen (6 and 2 points, respectively, below the mean) expressed the opinion that the government has increased its support for business. These percentages are far lower than the corresponding percentages for white-collar workers (35.3 percent) and blue-collar workers (36.8 percent).

Of those who voted for the IU, 66.3 percent asserted that the government's efforts favor businessmen, far outnumbering the 7 percent of that group that expressed the opposite opinion.

Those who sympathize with the Popular Coalition were the most reticent when asked about any increase in support for businessmen (18.1 percent agreed); far more of them (43.8 percent) reported a decline in the administration's concern for employers.

PSOE voters showed a 20-point spread between the two opinions, clearly favoring the opinion that the government is more interested in business (33.9 percent compared to 13.9 percent).

The Center for Sociological Research released this survey 2 days after the president of the government, Felipe Gonzalez, announced that the next General State Budgets will provide for more social spending.

His statements, made in a speech before the International Labor Organization (ILO), were the prologue to his meeting with the general secretary of the General Union of Workers (UGT), Nicolas Redondo, at which the obstacles to a social dialogue were removed.

The results of the CIS poll may have had a strong influence on the president's decision to announce a greater social content in his economic policy.

08926

## TURKEY

### World Economic Forum Assesses Turkish Economy

35540156 *Istanbul TERCUMAN in Turkish*  
27 May 88 p 10

[Text] Economic Service—What is the World Economic Forum [EMF]? The World Economic Forum is a private organization which brings the world's leading economic personalities together to get acquainted and share experiences. The forum, headquartered in Geneva, was formed in 1971 by an independent Swiss foundation which is described as "dedicated to world economic development" and which nurtures no political, geographical or commercial interest. The organization prides itself on providing a climate in which the steps are taken and the relationships formed that are needed for the solution of international economic problems. In

addition to its annual meeting in Davos, the foundation holds periodic "national conferences" in various countries. The current meeting being held in Istanbul is one of these national conferences which have now become an annual tradition.

The World Economic Forum's round table conference on Turkey began behind closed doors yesterday at the Sheraton Hotel. EMF board member Martin Born held a press conference to explain the meetings in which he said that foreign circles have the impression that Turkey has begun to harvest the fruits of its new economic policy despite a number of problems such as inflation, foreign debts and integration with the EEC. Born noted that Turkey is known to have established a stable policy and to be working hard to preserve it. "Business circles have noticed Turkey's new look. The interest being shown is proof of this. Having 340 businessmen from 39 countries attend an international conference is a record," he said. The focus of the afternoon closed sessions will be inflation and foreign loans, it was learned.

Born said that among the topics of greatest concern to economic circles interested in Turkey are the foreign trade deficit and the export situation. He noted that the Turkish lira has been devalued too far in order to increase exports and said it really ought to be between 650 liras-700 liras to the dollar and this was causing concern among businessmen. Basing the claim that the Turkish lira has been over-devalued on the Turkish professors and instructors whose views the forum solicited, Born said in answer to a question by a TERCUMAN correspondent, "If a true foreign exchange market is formed and the switch to convertibility made, the Turkish lira may gain value, contrary to expectations."

Topics being taken up at the continuing closed sessions of the Turkish round table conference are privatization, Turkey in the year 2000, and "Turkey's expectations of the EEC," on which members of the opposition presented their views. EMF President Claus Schwab asked at the meeting how the foreign loans will be paid, to which State Planning Organization [SPO] Under Secretary Ali Tigrel replied that there is no problem in foreign loan repayment and that the payment schedule is being met punctually, it was learned. Foreign businessmen are reportedly asking very few questions at the meetings, but the focus of these questions, in addition to foreign loans, is whether such high inflation will cause social explosions.

### Privatization Management

During the meeting at which privatization was taken up, special advisor to the prime minister Cengiz Israfil was asked how he would solve the problem of privatization management. He replied, "We are considering the formation of a nucleus group for management. There is a hazard in going 100 percent public with the enterprises."

The foreign businessmen reportedly asked the most questions as regards privatization about Telecommunications Industry, Inc, Sumer Bank and Tourism Bank.

#### Turkey's EEC Expectations

In the session on Turkey's expectations within the EEC, addresses were delivered by Minister of State Ali Bozer and Turkish Businessmen and Industrialists Association President Omer Dinckok, as well as Hikmet Cetin from the Social Democratic Populist Party and Tevfik Ertuzun, Correct Way Party [CWP] deputy from Zonguldak, as representatives of the opposition. Zonguldak deputy Tevfik Ertuzun said, "Let me immediately point out that we the CWP deplore the European Parliament decision calling upon EEC members to apply pressure to Turkey. The European Parliament should first adopt decisions to bring solutions to political problems of many years' standing among its own members. Only after they have obtained results on the disagreements among themselves can they be expected to make recommendations to Turkey."

#### Political Member

Ertuzun stressed that the distance covered between Turkey and the community to date was not satisfactory for reasons stemming from both sides and said that the solution lay in the identification by the EEC, whose basic character is first of all political integration, of Turkey as a "political member." Noting that Turkey had made the decision to Westernize itself by becoming democratic and modernizing and industrializing before the EEC was formed, Ertuzun said, "As the CWP, we will continue at all times and under all circumstances to do everything necessary for Turkey to meet the community norms."

Minister of State, Yusuf Bozkurt Ozal; TURBANK General Director, Serhan Altinordu; State Partnership Fund President, Bulent Gultekin; Treasury and Foreign Trade Assistant Under Secretary, Namik Kemal Kilic; and Foreign Capital Association President, Atilla Midilli, also addressed the round table conference on Turkey. Prime Minister Turgut Ozal will attend today's sessions of the conference in addition to businessmen and certain other ministers.

8349/9604

#### Credit Agreement Reached for Second Iraq Pipeline

35540144b Istanbul MILLIYET in Turkish  
7 Apr 88 p 7

[Text] The \$13 million credit agreement, provided by Turkish banks for the financing of the second Turkey-Iraq crude oil pipeline project, was signed in Ankara yesterday. Agriculture Bank contributed \$5 million, Eti

Bank \$4 million, and Housing Bank and People's Bank \$2 million each to the 5.5-year term credit provided by a consortium formed by those four banks with the leadership of Agriculture Bank.

12777/12223

#### Ozal Steps In To Settle F-16 Project Troubles

35540144a Istanbul HURRIYET in Turkish  
8 Apr 88 p 21

[Article by Aziz Utkan: "Ozal on Board for F-16's"]

[Text] Ankara—The crisis in the "F-16 Combat Plane" project to be undertaken by Turkey continues to grow. It has been learned that Prime Minister Turgut Ozal intervened to handle the problem and to eliminate snags which appeared and reached serious dimensions in the implementation stages. Considerable emphasis is put on the Fighting Falcon F-16 Project, and a fact-finding committee, headed by the president of the Defense Industry Administration, Vahit Erdem, has reportedly been set up on Ozal's instructions.

A source close to Prime Minister Turgut Ozal assessed for HURRIYET the problem which worsened following recent contentions and said that these contentions about the F-16 Project and the Turkish Aircraft Industry Corporation TUSAS are "serious". Our distinguished Prime Minister personally assigned Minister of Defense, Ercan Vuralhan, and Defense Industry Administration head, Vahit Erdem, to investigate this issue. "Research and studies are under way for the establishment of a facility which will operate for the benefit of Turkey, with Turkish rules, on Turkish soil," the source said.

#### Short Accounts

The source indicated that as soon as the new government took office, it began working on the F-16 project with related ministers and experts on this issue and added, "Serious deficiencies in the files and large gaps in figures have been spotted. Consequently, the firm executing the project has been asked to clarify these figures."

For this reason, the source said, the meeting planned to be held among the partners to discuss the balance sheet has been postponed. He added, "Turkey is approaching this issue with total sensitivity and seriousness. Necessary measures will be taken against those who thought they had an open field and could ride their horses any way they wanted."

#### Were Contracts Fulfilled?

The source close to the Prime Minister indicated that "a serious investigation has been started to determine whether the firm which is to execute the project is fulfilling its commitments," and provided the following information: "The ministry concerned and the established committee are investigating these points: Is the

executing firm bringing in the state of the art technology as committed? How is it fulfilling its obligations resulting from the off-set agreement? What kind of a system is it setting up for the long run? All these are being determined item by item."

#### **American Attorney Retained**

Indicating that the issue at this stage involves international law and requires some technical knowledge, the source said, "How much has been accomplished in this project, vital for Turkey's future? This is being investigated. Therefore, an American lawyer has been hired."

#### **Decision for TUSAS**

The source indicated that work "directed towards the future" has begun regarding TUSAS whose main task ended following implementation of the F-16 project and said, "The necessary work is under way to enable continuity of the facility's function following completion of the F-16 project in 1992."

Indicating that if the agreements signed within the framework of the project develop against Turkey's interests, new measures may always be taken, the source said, "If necessary, a new protocol can be drafted. Nobody should doubt that."

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## ITALY

### **Fiat Accused of Corrupting Union Members** *35280152 Rome L'UNITA in Italian 3 Jun 88 p 1*

[Article by Bianca Mazzoni]

[Text] He is a communist. He works at Alfa-Lancia as a manager. He had always been a member of FIOM [Federation of the employed in Metallurgical Industries], until a few months ago. Then something happened... Fiat arrived and started discouraging personnel in every way possible from supporting the CGIL, CISL and UIL. In every way possible, even by paying—as L'UNITA reported yesterday—in cash those who were willing to tear up their membership card. And thus many have left the union. Even our source who in this interview explains to us how he was approached by Fiat top management, how he decided, what advantages he had.

Milan—"For me, leaving the union was a problem. It is difficult for a communist. I talked about it with friends in the company union. We decided together. I was the last one of my group to make this choice. A few months later I was recognized as the coordinator, a job that I already had. And then I found a one million [lire] bonus in my pay envelope." The person speaking is an Alfa-Lancia manager who is a member of the PCI, an employee, former union member, who has now agreed to talk with journalists in a bar under one condition: strict anonymity.

[Question] How did they approach you; how did they suggest that you leave the union in exchange for a better position at the factory?

[Answer] They do not ask you directly. The time comes when you, with a union card in your pocket, are excluded while your co-workers receive more increases. One of your superiors takes you aside and says, just between you and me, you could advance but you're a union member. And then there's the commitment to silence. They ask you not to say anything when they give you a bonus or a merit increase. Everybody knows everything, but they pretend to not know.

[Question] Does this happen at a certain level of responsibility or more often at lower levels?

[Answer] I submit a list, as requested by management, of personnel due for increases. The list is never discussed, at least my judgement has never been questioned. It is

when the increases are finally handed out that the differentiation shows up. Those who have that blemish of being a member of the union end up at the bottom of the list.

[Question] Is there truly a dissuasive effect?

[Answer] There have always been opportunists and up until last year they were members of the union. This doesn't seem to be an excuse since even I found myself making this choice, but it's true that many people take advantage of a certain climate in order to snatch up little privileges. Then there are those with guts, and 20-30,000 lire per month will not dissuade them, even though they begin to feel the pressure. On the other hand, it's like a chain. Up until last year, it wasn't so obvious. The production manager has his objectives and if he realizes them, there's an award, otherwise nothing. It isn't that upper management imposes them outright. They tell you: It's up to you. Thus your worst enemy is your co-worker. In January they began to make lists and distribute awards. Envelopes arrive in departments without any set schedule; one month, one, another, nothing. For us managers there was the year-end meeting which, at Fiat, means October. There was a general meeting of managers who had received an increase, and naturally no one knew what had been in the other's envelope. Then there was the meeting of those who had not received anything. Everyone was told the whys and the wherefores.

[Question] But top management has given you a role, a power that you didn't have before.

[Answer] That's true, and the company especially presents it like that. In return, it asks employees to work unlimited hours. And you can't cheat, it's not that you stop at the end of the shift when you want to and you're rewarded. Your availability is in relation to requests from higher superiors.

[Question] What advice did you give the union?

[Answer] It took us a while to understand what was happening. Now it is necessary to reorganize the workers. I suggested that the union tell everyone to resign: 1,000 notices were a fact, a declaration. And then we would rejoin in another form, devising some new way to organize ourselves. Now there are a few "carbonari" members, that is, unknown to the company. They are an important testimony, but still a testimony.

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